

**WEST MARSHALL COMMUNITY SCHOOL DISTRICT
STATE CENTER, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2012

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WEST MARSHALL COMMUNITY SCHOOL DISTRICT

OFFICIALS

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|----------------------------------|--|---------------------|
| <u>Board of Education</u> | | |
| (Before September 2011 election) | | |
| Gary Conkin | President | 2011 |
| Lisa Breja | Vice President | 2011 |
| Julie Randall | Board Member | 2011 |
| Kristine Weitzell | Board Member | 2011 |
| Wayne Larsen | Board Member | 2013 |
| Steve Smith | Board Member | 2013 |
| Tom Hemesath | Board Member | 2013 |
| (After September 2011 election) | | |
| Lisa Breja | President | 2015 |
| Wayne Larsen | Vice President | 2013 |
| Steve Smith | Board Member | 2013 |
| Tom Hemesath | Board Member | 2013 |
| Julie Randall | Board Member | 2015 |
| Gary Conkin | Board Member | 2015 |
| Jeff Lanning | Board Member | 2015 |
| <u>School Officials</u> | | |
| Ned Sellers | Superintendent | 2014 |
| Stephanie Edler | District Secretary/Treasurer and Business Manager | 2012 |
| Rex Ryden | Attorney | Indefinite |

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
West Marshall Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Marshall Community School District, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Marshall Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2012 on our consideration of West Marshall Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 14 and 50 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Marshall Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the seven years ended June 30, 2010 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
October 15, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Marshall Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,058,770 in fiscal 2011 to \$8,179,571 in fiscal 2012. General Fund expenditures increased from \$7,959,964 in fiscal 2011 to \$8,233,642 in fiscal 2012. The District's General Fund balance decreased from \$2,594,568 in fiscal 2011 to \$2,540,497 in fiscal 2012, a 2% decrease.
- The increase in General Fund revenues was primarily attributable to an increase in local tax proceeds. The increase in expenditures was due primarily to an increase in supplies and purchased services.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Marshall Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Marshall Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Marshall Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
West Marshall Community School District Annual Financial Report

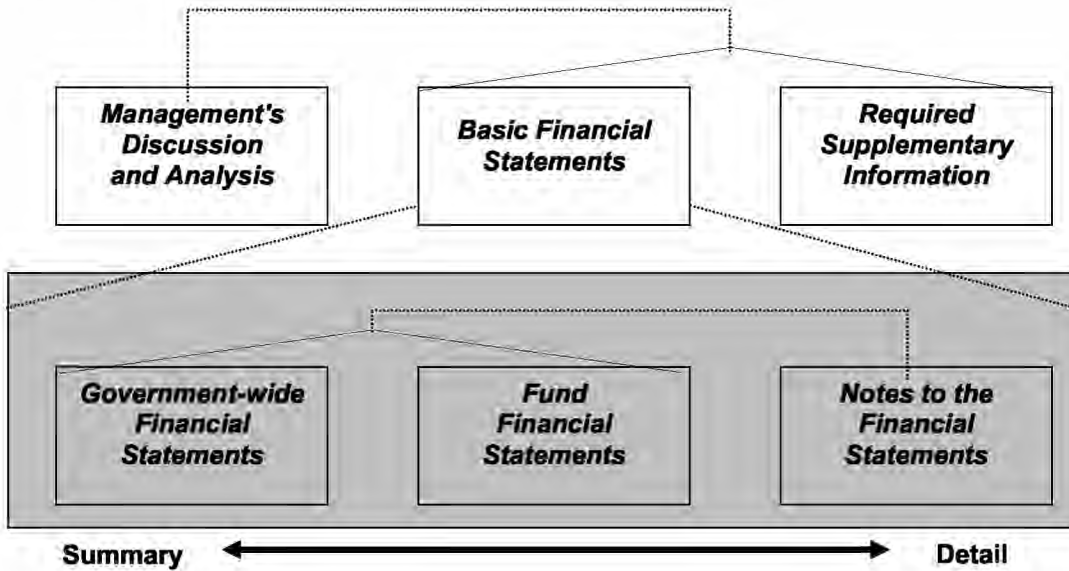


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

| Figure A-2 Major Features of the Government-wide and Fund Financial Statements | | | | |
|---|--|--|--|---|
| | Government-wide Statements | Fund Statements | | |
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire District (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance | Activities the District operates similar to private businesses: food services and preschool | Instances in which the District administers resources on behalf of someone else, such as scholarship programs |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net assets • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances | <ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows | <ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/ liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, short-term and long-term | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow/ outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid | All additions and deductions during the year, regardless of when cash is received or paid |

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Preschool Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund used to account for the District's self-insurance fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2012.

Figure A-3

Figure A-3

| | Condensed Statement of Net Assets | | | | | | |
|--|-----------------------------------|-------------------|--------------------------|----------------|-----------------------|-------------------|-------------------|
| | Governmental Activities | | Business-type Activities | | Total School District | | Percentage Change |
| | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011-12 |
| | \$ | \$ | \$ | \$ | \$ | \$ | |
| Current and other assets | 10,051,426 | 8,167,375 | 223,808 | 159,827 | 10,275,234 | 8,327,202 | -18.9% |
| Capital assets | 12,545,187 | 13,328,450 | 43,127 | 167,163 | 12,588,314 | 13,495,613 | 7.2% |
| Total assets | 22,596,613 | 21,495,825 | 266,935 | 326,990 | 22,863,548 | 21,822,815 | -4.6% |
| Long-term liabilities | 10,725,663 | 10,370,803 | - | - | 10,725,663 | 10,370,803 | -3.3% |
| Other liabilities | 4,335,274 | 3,618,264 | 13,702 | 14,869 | 4,348,976 | 3,633,133 | -16.5% |
| Total liabilities | 15,060,937 | 13,989,067 | 13,702 | 14,869 | 15,074,639 | 14,003,936 | -7.1% |
| Net Assets: | | | | | | | |
| Invested in capital assets, net of related debt | 2,035,187 | 3,168,450 | 43,127 | 167,163 | 2,078,314 | 3,335,613 | 60.5% |
| Restricted | 2,735,528 | 1,626,178 | - | - | 2,735,528 | 1,626,178 | -40.6% |
| Unrestricted | 2,764,961 | 2,712,130 | 210,106 | 144,958 | 2,975,067 | 2,857,088 | -4.0% |
| TOTAL NET ASSETS | 7,535,676 | 7,506,758 | 253,233 | 312,121 | 7,788,909 | 7,818,879 | 0.4% |

The District's combined total net assets increased by a modest 0.4%, or approximately \$29,970, over the prior year.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$1,109,350 or 40% over the prior year. The decrease is due primarily to the use of the bond proceeds for the construction project.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$117,979, or 4%.

Figure A-4 shows the change in net assets for the years ended June 30, 2011 and 2012.

Figure A-4

| | Change in Net Assets | | | | | | Percentage Change 2011-12 |
|--|----------------------------|------------------|-----------------------------|----------------|--------------------------|-------------------|---------------------------------|
| | Governmental Activities | | Business-type Activities | | Total School District | | |
| | 2011 \$ | 2012 \$ | 2011 \$ | 2012 \$ | 2011 \$ | 2012 \$ | |
| Revenues | | | | | | | |
| Program Revenues: | | | | | | | |
| Charges for services | 801,257 | 825,403 | 261,569 | 293,443 | 1,062,826 | 1,118,846 | 5.3% |
| Operating grants & contributions | 1,196,688 | 1,249,699 | 168,833 | 185,810 | 1,365,521 | 1,435,509 | 5.1% |
| Capital grants & contributions | - | 40,329 | - | 62,359 | - | 102,688 | n/a |
| General Revenues: | | | | | | | |
| Property taxes | 2,489,168 | 2,657,889 | - | - | 2,489,168 | 2,657,889 | 6.8% |
| Income Surtax | 327,237 | 353,268 | - | - | 327,237 | 353,268 | 8.0% |
| Statewide sales & services tax | 567,006 | 647,989 | - | - | 567,006 | 647,989 | 14.3% |
| Unrestricted state and federal grants | 3,737,787 | 3,596,617 | - | - | 3,737,787 | 3,596,617 | -3.8% |
| Unrestricted investment earnings | 221,983 | 62,836 | 2,199 | 140 | 224,182 | 62,976 | -71.9% |
| Other revenue | 88,784 | 34,114 | - | - | 88,784 | 34,114 | -61.6% |
| Total Revenues | 9,429,910 | 9,468,144 | 432,601 | 541,752 | 9,862,511 | 10,009,896 | 1.5% |
| Expenses: | | | | | | | |
| Instruction | 5,167,008 | 5,093,828 | - | 59,126 | 5,167,008 | 5,152,954 | -0.3% |
| Support services | 2,536,871 | 3,023,780 | 10,229 | 11,127 | 2,547,100 | 3,034,907 | 19.2% |
| Non-instructional programs | - | - | 463,927 | 412,611 | 463,927 | 412,611 | -11.1% |
| Other expenditures | 1,024,539 | 1,379,454 | - | - | 1,024,539 | 1,379,454 | 34.6% |
| Total expenses | 8,728,418 | 9,497,062 | 474,156 | 482,864 | 9,202,574 | 9,979,926 | 8.4% |
| Change in net assets before Transfers | 701,492 | (28,918) | (41,555) | 58,888 | 659,937 | 29,970 | -95.5% |
| Transfers | - | - | - | - | - | - | |
| CHANGE IN NET ASSETS | 701,492 | (28,918) | (41,555) | 58,888 | 659,937 | 29,970 | -95.5% |
| Net assets beginning of year, as restated | 6,834,184 | 7,535,676 | 294,788 | 253,233 | 7,128,972 | 7,788,909 | 9.3% |
| Net assets end of year | 7,535,676 | 7,506,758 | 253,233 | 312,121 | 7,788,909 | 7,818,879 | 0.4% |

Property tax and unrestricted state grants account for 62% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 82% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$9,468,144, a slight increase over 2011. The largest increases were in property taxes and Statewide Sales & Services Tax. Additionally, there was a large decrease in earnings revenue due to low interest rates and a smaller balance in the capital projects fund. Expenses increased 8% over 2011. Most of the increase was in support services and other expenditures. There was an increase in supplies purchased, technology equipment purchased due to the Microsoft Settlement proceeds and architect fees for the wrestling room.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

| Total and Net Cost of Governmental Activities | | | | | | |
|---|------------------------|------------------|-------------------|----------------------|------------------|-------------------|
| | Total Cost of Services | | | Net Cost of Services | | |
| | 2011 \$ | 2012 \$ | Change 2011-12 | 2011 \$ | 2012 \$ | Change 2011-12 |
| Instruction | 5,167,008 | 5,093,828 | -1.4% | 3,624,074 | 3,422,629 | -5.6% |
| Support Services | 2,536,871 | 3,023,780 | 19.2% | 2,465,603 | 2,969,998 | 20.5% |
| Non-instructional Programs | - | - | | - | - | |
| Other Expenses | 1,024,539 | 1,379,454 | 34.6% | 640,796 | 989,004 | 54.3% |
| TOTAL | 8,728,418 | 9,497,062 | 8.8% | 6,730,473 | 7,381,631 | 9.7% |

- The cost financed by users of the District's programs was \$825,403. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,249,699.
- The net cost of governmental activities was financed primarily with \$3,659,146 in property and other local taxes and \$3,596,617 in unrestricted state grants.

Business Type Activities

Revenues for business type activities increased 25% to \$541,752 and expenses increased 1.8% to \$482,864. The District's business type activities include the School Nutrition and Preschool Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. Most of the increase in revenues was due to an increase in meal prices combined with an increase in the number of meals served, as well as an increase in tuition for the preschool to cover projected costs.

During the year ended June 30, 2012, the District increased meal prices. The increase ranged from \$0.10 to \$0.15.

INDIVIDUAL FUND ANALYSIS

As previously noted, West Marshall Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,410,704, as compared to last year's ending fund balances of \$5,609,069. The primary reason for the decrease is due to completion of the construction of the middle school project as well as other facility projects with limited increase in funding.

Governmental Fund Highlights

- The General Fund balance decreased from \$2,594,568 to \$2,540,497, or 2%. This is due largely to addressing some facility needs and purchase of a new school bus while experiencing minimal increase in funding.

- The Capital Projects Fund balance decreased from \$2,274,752 in 2011 to \$1,140,644 in 2012 due to the completion of the middle school construction project.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$184,200 at June 30, 2011, to \$237,919 at June 30, 2012, representing an increase of approximately 29%. The increase in net assets is due to primarily to a contribution of equipment valued at \$62,359 from the District's Capital Projects Fund related to the completion of the construction of the new middle school kitchen.

BUDGETARY HIGHLIGHTS

Over the course of the year, West Marshall Community School District did not amend its annual budget.

The District's receipts were \$249,008 more than the amount that was budgeted. The District's expenditures were less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$13.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 7% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$441,034.

Figure A-6

Capital Assets (net of depreciation)

| | Governmental Activities | | Business type Activities | | Total School District | | Percentage Change |
|--------------------------|----------------------------|-------------------|-----------------------------|----------------|--------------------------|-------------------|----------------------|
| | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011-12 |
| | \$ | \$ | \$ | \$ | \$ | \$ | |
| Land | 125,000 | 125,000 | - | - | 125,000 | 125,000 | 0% |
| Construction in progress | 8,239,127 | - | - | - | 8,244,818 | - | -100.0% |
| Buildings | 3,714,606 | 12,739,635 | - | - | 3,714,606 | 12,739,635 | 243.0% |
| Improvements | 330,193 | 311,332 | - | - | 331,003 | 311,332 | -5.9% |
| Equipment & Furniture | 136,261 | 152,483 | 43,127 | 167,163 | 179,388 | 319,646 | 78.2% |
| TOTAL | 12,545,187 | 13,328,450 | 43,127 | 167,163 | 12,588,314 | 13,495,613 | 7.2% |

Long-Term Debt

At June 30, 2012 the District had \$10,370,803 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 3% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

There was one employee that took advantage of the District's Early Retirement Policy at the end of the 2011-12, compared to two in the prior year. The outstanding long-term obligation is largely due to the bonds sold in 2010 to fund the middle school construction project.

Figure A-7
Outstanding Long-Term Obligations

| | Total School District | | Percentage |
|--------------------------------------|------------------------------|-------------------|-------------------|
| | 2011 | 2012 | Change |
| | | | 2011-12 |
| | \$ | \$ | |
| General Obligation Bonds | 4,610,000 | 4,260,000 | -7.6% |
| Revenue bonds | 5,900,000 | 5,900,000 | 0.0% |
| Termination benefits | 196,800 | 177,500 | -9.8% |
| Other postemployment benefits (OPEB) | 18,863 | 33,303 | 76.6% |
| | 10,725,663 | 10,370,803 | -3.3% |

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of few existing circumstances that could significantly affect its financial health in the future:

- Possible sequestration will affect the federal funding (aside from Nutrition) in fiscal year 2013-14.
- Low interest rates continue to affect our revenue.
- The impact of healthcare reform could have a potentially large financial impact on the district.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ned Sellers, Superintendent, or Stephanie Edler, Business Manager, West Marshall Community School District, 601 3rd St. NW, PO Box 670, State Center, IA 50247.

Basic Financial Statements

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2012

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|-------------------|
| Assets | | | |
| Cash and pooled investments | \$ 5,021,564 | \$ 144,844 | \$ 5,166,408 |
| Receivables: | | | |
| Property tax: | | | |
| Current year | 36,692 | - | 36,692 |
| Succeeding year | 2,559,913 | - | 2,559,913 |
| Income surtax | 320,079 | - | 320,079 |
| Accrued interest | 99 | - | 99 |
| Accounts | 61,230 | - | 61,230 |
| Due from other governments | 129,531 | - | 129,531 |
| Inventories | - | 14,983 | 14,983 |
| Bond issuance costs | 38,267 | - | 38,267 |
| Capital assets, net of accumulated depreciation (note 4) | 13,328,450 | 167,163 | 13,495,613 |
| Total assets | 21,495,825 | 326,990 | 21,822,815 |
| Liabilities | | | |
| Accounts payable | 127,607 | - | 127,607 |
| Salaries and benefits payable | 697,111 | 8,123 | 705,234 |
| Accrued interest payable | 137,014 | - | 137,014 |
| Deferred revenue: | | | |
| Succeeding year property tax | 2,559,913 | - | 2,559,913 |
| Other | - | 6,746 | 6,746 |
| Bond premium | 96,619 | - | 96,619 |
| Long-term liabilities (note 5): | | | |
| Portion due within one year: | | | |
| Early retirement | 44,650 | - | 44,650 |
| Bonds payable | 365,000 | - | 365,000 |
| Portion due after one year: | | | |
| Early retirement | 132,850 | - | 132,850 |
| Bonds payable | 9,795,000 | - | 9,795,000 |
| Net OPEB liability | 33,303 | - | 33,303 |
| Total liabilities | 13,989,067 | 14,869 | 14,003,936 |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|--------------|
| Net Assets | | | |
| Invested in capital assets, net of related debt | \$ 3,168,450 | \$ 167,163 | \$ 3,335,613 |
| Restricted for: | | | |
| Categorical funding (note 10) | 70,485 | - | 70,485 |
| Management levy purposes | 18,063 | - | 18,063 |
| Physical plant and equipment levy purposes | 56,004 | - | 56,004 |
| Student activities | 137,237 | - | 137,237 |
| Debt service | 768,649 | - | 768,649 |
| Capital projects | 575,740 | - | 575,740 |
| Unrestricted | 2,712,130 | 144,958 | 2,857,088 |
| Total net assets | \$ 7,506,758 | \$ 312,121 | \$ 7,818,879 |

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

| Functions/Programs | Expenses | Program Revenues | | |
|---|------------------|----------------------|---|----------------------------------|
| | | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants and Contributions |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular instruction | \$ 3,234,742 | \$ 553,803 | \$ 714,354 | \$ - |
| Special instruction | 982,532 | 96,307 | 114,549 | - |
| Other instruction | 876,554 | 174,013 | 18,173 | - |
| | <u>5,093,828</u> | <u>824,123</u> | <u>847,076</u> | <u>-</u> |
| Support services: | | | | |
| Student services | 274,058 | - | 319 | - |
| Instructional staff services | 459,795 | - | 52,183 | - |
| Administration services | 886,849 | - | - | - |
| Operation and maintenance of plant services | 865,021 | - | - | - |
| Transportation services | 538,057 | 1,280 | - | - |
| | <u>3,023,780</u> | <u>1,280</u> | <u>52,502</u> | <u>-</u> |
| Other expenditures: | | | | |
| Facilities acquisition | 255,245 | - | - | 40,329 |
| Long-term debt interest and fiscal charges | 414,822 | - | - | - |
| AEA flowthrough | 350,121 | - | 350,121 | - |
| Depreciation (unallocated) * | 359,266 | - | - | - |
| | <u>1,379,454</u> | <u>-</u> | <u>350,121</u> | <u>40,329</u> |
| Total governmental activities | <u>9,497,062</u> | <u>825,403</u> | <u>1,249,699</u> | <u>40,329</u> |
| Business-Type Activities: | | | | |
| Instruction: | | | | |
| Preschool operations | <u>59,126</u> | <u>64,295</u> | <u>-</u> | <u>-</u> |
| Support services: | | | | |
| Food service operations | 11,127 | - | - | - |

| Net (Expense) Revenue and Changes in Net Assets | | |
|--|-----------------------------|--------------------|
| Governmental Activities | Business-Type Activities | Total |
| \$ (1,966,585) | \$ - | \$ (1,966,585) |
| (771,676) | - | (771,676) |
| (684,368) | - | (684,368) |
| <u>(3,422,629)</u> | <u>-</u> | <u>(3,422,629)</u> |
| (273,739) | - | (273,739) |
| (407,612) | - | (407,612) |
| (886,849) | - | (886,849) |
| (865,021) | - | (865,021) |
| <u>(536,777)</u> | <u>-</u> | <u>(536,777)</u> |
| <u>(2,969,998)</u> | <u>-</u> | <u>(2,969,998)</u> |
| (214,916) | - | (214,916) |
| (414,822) | - | (414,822) |
| - | - | - |
| <u>(359,266)</u> | <u>-</u> | <u>(359,266)</u> |
| <u>(989,004)</u> | <u>-</u> | <u>(989,004)</u> |
| <u>(7,381,631)</u> | <u>-</u> | <u>(7,381,631)</u> |
| - | 5,169 | 5,169 |
| - | (11,127) | (11,127) |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

| Functions/Programs | Expenses | Program Revenues | | |
|--------------------------------|--------------|-------------------------|---|--|
| | | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants and Contributions |
| Business-Type Activities: | | | | |
| Non-instructional programs: | | | | |
| Food service operations | \$ 412,611 | \$ 229,148 | \$ 185,810 | \$ 62,359 |
| Total business-type activities | 482,864 | 293,443 | 185,810 | 62,359 |
| Total | \$ 9,979,926 | \$ 1,118,846 | \$ 1,435,509 | \$ 102,688 |

General revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
 Income surtax
 Statewide sales, services and use tax
 Unrestricted state and federal grants
 Unrestricted investment earnings
 Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation included
 in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

| <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|------------------------------------|-------------------------------------|---------------------|
| \$ - | \$ 64,706 | \$ 64,706 |
| - | 58,748 | 58,748 |
| (7,381,631) | 58,748 | (7,322,883) |
| | | |
| \$ 2,355,927 | \$ - | \$ 2,355,927 |
| 226,393 | - | 226,393 |
| 75,569 | - | 75,569 |
| 353,268 | - | 353,268 |
| 647,989 | - | 647,989 |
| 3,596,617 | - | 3,596,617 |
| 62,836 | 140 | 62,976 |
| 34,114 | - | 34,114 |
| 7,352,713 | 140 | 7,352,853 |
| (28,918) | 58,888 | 29,970 |
| 7,535,676 | 253,233 | 7,788,909 |
| <u>\$ 7,506,758</u> | <u>\$ 312,121</u> | <u>\$ 7,818,879</u> |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

| | <u>General</u> | <u>Capital Projects</u> | <u>Nonmajor</u> | <u>Total</u> |
|-----------------------------|---------------------|-----------------------------|---------------------|---------------------|
| Assets | | | | |
| Cash and pooled investments | \$ 3,240,422 | \$ 1,041,859 | \$ 725,589 | \$ 5,007,870 |
| Receivables: | | | | |
| Property tax: | | | | |
| Current year | 30,953 | 1,001 | 4,738 | 36,692 |
| Succeeding year | 2,117,336 | 78,277 | 364,300 | 2,559,913 |
| Income surtax | 320,079 | - | - | 320,079 |
| Accrued interest | - | - | 99 | 99 |
| Accounts | 61,230 | - | - | 61,230 |
| Due from other governments | <u>31,747</u> | <u>97,784</u> | <u>-</u> | <u>129,531</u> |
| Total assets | <u>\$ 5,801,767</u> | <u>\$ 1,218,921</u> | <u>\$ 1,094,726</u> | <u>\$ 8,115,414</u> |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

| | General | Capital Projects | Nonmajor | Total |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 126,744 | \$ - | \$ 863 | \$ 127,607 |
| Salaries and benefits payable | 697,111 | - | - | 697,111 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 2,117,336 | 78,277 | 364,300 | 2,559,913 |
| Other | 320,079 | - | - | 320,079 |
| Total liabilities | <u>3,261,270</u> | <u>78,277</u> | <u>365,163</u> | <u>3,704,710</u> |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Categorical funding (note 10) | 70,485 | - | - | 70,485 |
| Debt service | - | 508,900 | 396,763 | 905,663 |
| Management levy purposes | - | - | 195,563 | 195,563 |
| Student activities | - | - | 137,237 | 137,237 |
| School infrastructure | - | 575,592 | - | 575,592 |
| Physical plant and equipment | - | 56,004 | - | 56,004 |
| Capital projects | - | 148 | - | 148 |
| Unassigned | 2,470,012 | - | - | 2,470,012 |
| Total fund balances | <u>2,540,497</u> | <u>1,140,644</u> | <u>729,563</u> | <u>4,410,704</u> |
| Total liabilities and fund balances | <u>\$ 5,801,767</u> | <u>\$ 1,218,921</u> | <u>\$ 1,094,726</u> | <u>\$ 8,115,414</u> |

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2012

| | |
|---|---------------------|
| Total fund balances of governmental funds | \$ 4,410,704 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 13,328,450 |
| Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. | 320,079 |
| An internal service fund is used by the District's management to charge the costs of the partially self-funded health insurance program and employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. | 13,694 |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. | (137,014) |
| Long-term liabilities, including bonds payable, early retirement, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Also included is the net difference between bond issuance costs and bond premium costs being amortized over the life of the associated debt. | <u>(10,429,155)</u> |
| Net assets of governmental activities | <u>\$ 7,506,758</u> |
| See notes to financial statements. | |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

| | General | Capital Projects | Nonmajor | Total |
|--|------------------|---------------------|------------------|--------------------|
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 2,569,900 | \$ 723,558 | \$ 351,680 | \$ 3,645,138 |
| Tuition | 596,096 | - | - | 596,096 |
| Other | 212,528 | 14,415 | 144,583 | 371,526 |
| State sources | 4,517,655 | - | - | 4,517,655 |
| Federal sources | 283,392 | 24,016 | - | 307,408 |
| Total revenues | <u>8,179,571</u> | <u>761,989</u> | <u>496,263</u> | <u>9,437,823</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | <u>4,909,458</u> | <u>-</u> | <u>209,557</u> | <u>5,119,015</u> |
| Support services: | | | | |
| Student services | 274,058 | - | - | 274,058 |
| Instructional staff services | 459,795 | - | - | 459,795 |
| Administration services | 886,545 | 16 | - | 886,561 |
| Operation and maintenance of plant services | 852,771 | - | 59,946 | 912,717 |
| Transportation services | 500,894 | 50,000 | 10,684 | 561,578 |
| | <u>2,974,063</u> | <u>50,016</u> | <u>70,630</u> | <u>3,094,709</u> |
| Other expenditures: | | | | |
| Facilities acquisition | - | 1,319,695 | - | 1,319,695 |
| Long term debt: | | | | |
| Principal | - | - | 350,000 | 350,000 |
| Interest and fiscal charges | - | - | 418,961 | 418,961 |
| AEA flowthrough | 350,121 | - | - | 350,121 |
| | <u>350,121</u> | <u>1,319,695</u> | <u>768,961</u> | <u>2,438,777</u> |
| Total expenditures | <u>8,233,642</u> | <u>1,369,711</u> | <u>1,049,148</u> | <u>10,652,501</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(54,071)</u> | <u>(607,722)</u> | <u>(552,885)</u> | <u>(1,214,678)</u> |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

| | <u>General</u> | <u>Capital Projects</u> | <u>Nonmajor</u> | <u>Total</u> |
|---|---------------------|-----------------------------|-------------------|---------------------|
| Other financing sources (uses): | | | | |
| Compensation for loss of capital assets | \$ - | \$ 16,313 | \$ - | \$ 16,313 |
| Interfund transfers in (note 3) | - | - | 542,699 | 542,699 |
| Interfund transfers out (note 3) | - | (542,699) | - | (542,699) |
| Total other financing sources (uses) | - | (526,386) | 542,699 | 16,313 |
| Net change in fund balances | (54,071) | (1,134,108) | (10,186) | (1,198,365) |
| Fund balances beginning of year | 2,594,568 | 2,274,752 | 739,749 | 5,609,069 |
| Fund balances end of year | <u>\$ 2,540,497</u> | <u>\$ 1,140,644</u> | <u>\$ 729,563</u> | <u>\$ 4,410,704</u> |

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ (1,198,365)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

| | | |
|---------------------------------|------------------|---------|
| Expenditures for capital assets | \$ 1,205,195 | |
| Depreciation expense | <u>(421,932)</u> | 783,263 |

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. 14,008

An Internal Service Fund is used by the District's management to charge the costs of the partially self-funded health insurance program and employee flexible benefit program to the individual funds. The net expense of the internal service fund is reported with governmental activities. 13,177

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 350,000

Interest on long-term debt and amortization of bond issuance costs and bond premiums in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 4,139

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

| | | |
|----------------------|-----------------|--------------|
| Early retirement | 19,300 | |
| Compensated absences | | |
| Net OPEB liability | <u>(14,440)</u> | <u>4,860</u> |

Change in net assets of governmental activities \$ (28,918)

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

| | Enterprise Funds | | | Governmental Activities |
|---|---------------------|--------------------------------|-------------------|-----------------------------|
| | School Nutrition | Nonmajor Enterprise Fund | Total | Internal Service Fund |
| Assets | | | | |
| Cash and cash equivalents | \$ 62,889 | \$ 81,955 | \$ 144,844 | \$ 13,694 |
| Inventories | 14,983 | - | 14,983 | - |
| Capital assets, net of accumulated depreciation (note 4) | 167,163 | - | 167,163 | - |
| Total assets | <u>245,035</u> | <u>81,955</u> | <u>326,990</u> | <u>13,694</u> |
| Liabilities | | | | |
| Salaries and benefits payable | 370 | 7,753 | 8,123 | - |
| Deferred revenue | 6,746 | - | 6,746 | - |
| Total liabilities | <u>7,116</u> | <u>7,753</u> | <u>14,869</u> | <u>-</u> |
| Net Assets | | | | |
| Invested in capital assets | 167,163 | - | 167,163 | - |
| Unrestricted | <u>70,756</u> | <u>74,202</u> | <u>144,958</u> | <u>13,694</u> |
| Total net assets | <u>\$ 237,919</u> | <u>\$ 74,202</u> | <u>\$ 312,121</u> | <u>\$ 13,694</u> |

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2012

| | Enterprise Funds | | | Governmental Activities |
|-----------------------------|---------------------|--------------------------------|------------|-----------------------------|
| | School Nutrition | Nonmajor Enterprise Fund | Total | Internal Service Fund |
| Operating revenues: | | | | |
| Local sources: | | | | |
| Charges for services | \$ 229,148 | \$ 64,295 | \$ 293,443 | \$ 68,378 |
| Operating expenses: | | | | |
| Instruction: | | | | |
| Salaries | - | 43,836 | 43,836 | - |
| Benefits | - | 13,303 | 13,303 | - |
| Supplies | - | 1,987 | 1,987 | - |
| | - | 59,126 | 59,126 | - |
| Support services: | | | | |
| Purchased services | 6,751 | - | 6,751 | 55,259 |
| Supplies | 4,376 | - | 4,376 | - |
| | 11,127 | - | 11,127 | 55,259 |
| Non-instructional programs: | | | | |
| Salaries | 141,002 | - | 141,002 | - |
| Benefits | 25,557 | - | 25,557 | - |
| Purchased services | 5,025 | - | 5,025 | - |
| Supplies | 221,925 | - | 221,925 | - |
| Depreciation | 19,102 | - | 19,102 | - |
| | 412,611 | - | 412,611 | - |
| Total operating expenses | 423,738 | 59,126 | 482,864 | 55,259 |
| Operating income (loss) | (194,590) | 5,169 | (189,421) | 13,119 |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2012

| | Enterprise Funds | | | Governmental Activities |
|------------------------------|---------------------|--------------------------------|-------------------|-----------------------------|
| | School Nutrition | Nonmajor Enterprise Fund | Total | Internal Service Fund |
| Non-operating revenues: | | | | |
| State sources | \$ 4,257 | \$ - | \$ 4,257 | \$ - |
| Federal sources | 181,553 | - | 181,553 | - |
| Interest income | 140 | - | 140 | 58 |
| Capital contributions | 62,359 | - | 62,359 | - |
| Total non-operating revenues | <u>248,309</u> | <u>-</u> | <u>248,309</u> | <u>58</u> |
| Change in net assets | 53,719 | 5,169 | 58,888 | 13,177 |
| Net assets beginning of year | <u>184,200</u> | <u>69,033</u> | <u>253,233</u> | <u>517</u> |
| Net assets end of year | <u>\$ 237,919</u> | <u>\$ 74,202</u> | <u>\$ 312,121</u> | <u>\$ 13,694</u> |

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

| | Enterprise Funds | | | Governmental Activities |
|--|---------------------|--------------------------------|------------|-----------------------------|
| | School Nutrition | Nonmajor Enterprise Fund | Total | Internal Service Fund |
| Cash flows from operating activities: | | | | |
| Cash received from sale of lunches and breakfasts | \$ 226,057 | \$ - | \$ 226,057 | \$ - |
| Cash received from miscellaneous operating activities | 3,823 | 64,295 | 68,118 | 68,378 |
| Cash payments to employees for services | (166,881) | (56,382) | (223,263) | - |
| Cash payments to suppliers for goods or services | (211,807) | (1,987) | (213,794) | (55,259) |
| Net cash provided by (used by) operating activities | (148,808) | 5,926 | (142,882) | 13,119 |
| Cash flows from non-capital financing activities: | | | | |
| State grants received | 4,257 | - | 4,257 | - |
| Federal grants received | 154,904 | - | 154,904 | - |
| Net cash provided by non-capital financing activities | 159,161 | - | 159,161 | - |
| Cash flows from capital and related financing activities: | | | | |
| Acquisition of capital assets | (80,779) | - | (80,779) | - |
| Cash flows from investing activities: | | | | |
| Interest on investments | 140 | - | 140 | 58 |
| Net increase (decrease) in cash and cash equivalents | (70,286) | 5,926 | (64,360) | 13,177 |
| Cash and cash equivalents beginning of year | 133,175 | 76,029 | 209,204 | 517 |
| Cash and cash equivalents end of year | \$ 62,889 | \$ 81,955 | \$ 144,844 | \$ 13,694 |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

| | Enterprise Funds | | | Governmental Activities |
|--|---------------------|--------------------------------|---------------------|-----------------------------|
| | School Nutrition | Nonmajor Enterprise Fund | Total | Internal Service Fund |
| Reconciliation of operating income (loss) to net cash provided by (used by) operating activities: | | | | |
| Operating income (loss) | \$ (194,590) | \$ 5,169 | \$ (189,421) | \$ 13,119 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities: | | | | |
| Commodities used | 26,649 | - | 26,649 | - |
| Depreciation | 19,102 | - | 19,102 | - |
| (Increase) in inventories | (379) | - | (379) | - |
| Increase (decrease) in salaries and benefits payable | (322) | 757 | 435 | - |
| Increase in deferred revenue | 732 | - | 732 | - |
| Net cash provided by (used by) operating activities | <u>\$ (148,808)</u> | <u>\$ 5,926</u> | <u>\$ (142,882)</u> | <u>\$ 13,119</u> |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$26,649 of federal commodities. In addition, the District's Proprietary Fund, School Nutrition received a non-cash contribution of equipment valued at \$62,359 purchased through the Capital Projects Fund.

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies

West Marshall Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of State Center, Melbourne, Rhodes, Clemons, St. Anthony and Lamoille, Iowa, and agricultural territory in Marshall County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, West Marshall Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. West Marshall Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Marshall County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

In addition, the District reports a Proprietary Fund, Internal Service to account for the District's partially self-funded insurance and flexible benefits programs.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Bond Issuance Costs/Premium – The issuance costs paid and premiums received on prior bond issues have been capitalized and are being amortized over the life of the associated bond issues.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class | Amount |
|-----------------------------------|----------|
| Land | \$ 1,000 |
| Buildings | 10,000 |
| Improvements other than buildings | 10,000 |
| Intangibles | 50,000 |
| Furniture and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other furniture and equipment | 10,000 |

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

| Asset Class | Estimated Useful Lives |
|-----------------------------------|------------------------|
| Buildings | 20-50 years |
| Improvements other than buildings | 20-50 years |
| Intangibles | 3-20 years |
| Furniture and equipment | 5-15 years |

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unearned meal revenues and the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unearned meal revenues.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 2. Cash and Pooled Investments (continued)

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust as follows:

| | <u>Amortized Cost</u> |
|-----------------------|---------------------------|
| Diversified Portfolio | \$ <u>977,036</u> |

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------|----------------------|-------------------|
| Debt Service | Capital Projects | \$ <u>542,699</u> |

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|----------------------|---------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 125,000 | \$ - | \$ - | \$ 125,000 |
| Construction in progress | 8,239,127 | 1,064,450 | 9,303,577 | - |
| Total capital assets not being depreciated | <u>8,364,127</u> | <u>1,064,450</u> | <u>9,303,577</u> | <u>125,000</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 7,385,466 | 9,356,594 | - | 16,742,060 |
| Improvements other than buildings | 655,891 | 8,840 | - | 664,731 |
| Furniture and equipment | 1,055,800 | 78,888 | 52,667 | 1,082,021 |
| Total capital assets being depreciated | <u>9,097,157</u> | <u>9,444,322</u> | <u>52,667</u> | <u>18,488,812</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 3,670,860 | 331,565 | - | 4,002,425 |
| Improvements other than buildings | 325,698 | 27,701 | - | 353,399 |
| Furniture and equipment | 919,539 | 62,666 | 52,667 | 929,538 |
| Total accumulated depreciation | <u>4,916,097</u> | <u>421,932</u> | <u>52,667</u> | <u>5,285,362</u> |
| Total capital assets being depreciated, net | <u>4,181,060</u> | <u>9,022,390</u> | <u>-</u> | <u>13,203,450</u> |
| Governmental activities capital assets, net | <u>\$ 12,545,187</u> | <u>\$ 10,086,840</u> | <u>\$ 9,303,577</u> | <u>\$ 13,328,450</u> |
| Business-type activities: | | | | |
| Furniture and equipment | \$ 142,464 | \$ 143,138 | \$ - | \$ 285,602 |
| Less accumulated depreciation | <u>99,337</u> | <u>19,102</u> | <u>-</u> | <u>118,439</u> |
| Business-type activities capital assets, net | <u>\$ 43,127</u> | <u>\$ 124,036</u> | <u>\$ -</u> | <u>\$ 167,163</u> |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 4. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Support services:

Operation and maintenance of plant services

\$ 3,994

Transportation

58,672

62,666

359,266

Unallocated depreciation

Total governmental activities depreciation expense

\$ 421,932

Business-type activities:

Food service operations

\$ 19,102

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

| | Balance Beginning of Year | Additions | Reductions | Balance End of Year | Due Within One Year |
|--------------------------|---------------------------------|------------------|-------------------|---------------------------|---------------------------|
| Governmental activities: | | | | | |
| Early retirement | \$ 196,800 | \$ 41,050 | \$ 60,350 | \$ 177,500 | \$ 44,650 |
| General obligation bonds | 4,610,000 | - | 350,000 | 4,260,000 | 365,000 |
| Revenue bonds | 5,900,000 | - | - | 5,900,000 | - |
| Net OPEB liability | 18,863 | 14,440 | - | 33,303 | - |
| Total | <u>\$ 10,725,663</u> | <u>\$ 55,490</u> | <u>\$ 410,350</u> | <u>\$ 10,370,803</u> | <u>\$ 409,650</u> |

Early Retirement

The District offered a voluntary early retirement plan to certified employees and administrators for the year ended June 30, 2012. All eligible employees must have completed at least ten years of consecutive half-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

The early retirement benefit for certified employees includes an incentive payment of \$10,000. The payment will be made in one lump sum to a deferred annuity account by the end of July following retirement. The District will also pay a maximum of \$450 per month for the cost of single health insurance until age 65.

The early retirement incentive for administrators consists of paid single health and family dental insurance at District cost until the employee reaches age 65 or otherwise becomes eligible for Medicare. The cost of health insurance paid by the District for administrators has no dollar cap.

At June 30, 2012, the District had obligations to 8 participants with a total liability of \$177,500. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$60,350. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Long-Term Liabilities (continued)

General Obligation Bonds Payable

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

| Year Ending June 30, | Interest Rates | Bond issue dated October, 2002 | | |
|-------------------------|-------------------|--------------------------------|------------------|-------------------|
| | | Principal | Interest | Total |
| 2013 | 3.50 % | \$ 265,000 | \$ 14,135 | \$ 279,135 |
| 2014 | 3.60 | 135,000 | 4,860 | 139,860 |
| | | <u>\$ 400,000</u> | <u>\$ 18,995</u> | <u>\$ 418,995</u> |

| Year Ending June 30, | Interest Rates | Bond issue dated June, 2010 | | |
|-------------------------|-------------------|-----------------------------|---------------------|---------------------|
| | | Principal | Interest | Total |
| 2013 | 2.00 % | \$ 100,000 | \$ 143,800 | \$ 243,800 |
| 2014 | 2.00 | 160,000 | 141,800 | 301,800 |
| 2015 | 2.50 | 170,000 | 138,600 | 308,600 |
| 2016 | 3.00 | 175,000 | 134,350 | 309,350 |
| 2017-2021 | 3.50-4.00 | 970,000 | 577,275 | 1,547,275 |
| 2022-2026 | 4.00 | 1,170,000 | 370,625 | 1,540,625 |
| 2027-2030 | 4.00-4.125 | 1,115,000 | 116,344 | 1,231,344 |
| | | <u>\$ 3,860,000</u> | <u>\$ 1,622,794</u> | <u>\$ 5,482,794</u> |
| Total | | <u>\$ 4,260,000</u> | <u>\$ 1,641,789</u> | <u>\$ 5,901,789</u> |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2012 local option sales and services tax revenue bonded indebtedness are as follows:

| Year Ending June 30, | Interest Rates | Bond issue dated January, 2010 | | |
|-------------------------|-------------------|--------------------------------|---------------------|---------------------|
| | | Principal | Interest | Total |
| 2013 | 3.50 % | \$ - | \$ 247,705 | \$ 247,705 |
| 2014 | 3.50 | 75,000 | 246,393 | 321,393 |
| 2015 | 3.50 | 250,000 | 240,705 | 490,705 |
| 2016 | 3.50 | 260,000 | 231,780 | 491,780 |
| 2017 | 3.50 | 270,000 | 222,505 | 492,505 |
| 2018-2022 | 3.50-3.75 | 1,510,000 | 953,558 | 2,463,558 |
| 2023-2027 | 4.00-4.40 | 1,865,000 | 606,437 | 2,471,437 |
| 2028-2030 | 4.50-4.75 | 1,670,000 | 143,150 | 1,813,150 |
| | | <u>\$ 5,900,000</u> | <u>\$ 2,892,233</u> | <u>\$ 8,792,233</u> |

The District has pledged future statewide sales, services and use tax revenues to repay the \$5,900,000 bonds issued in January 2010. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 40 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$8,792,233. For the current year, no principal was paid on the bonds, interest paid on the bonds totaled \$247,705, and total statewide sales, services and use tax revenues were \$647,989.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- Bonds maturing after January 1, 2019, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
- \$508,900 of the proceeds from the bonds issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account may be used for any lawful purpose. The sinking fund is part of the Debt Service Fund.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 62 active members in the plan.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

| | |
|--|-------------------------|
| Annual required contribution | \$ 76,469 |
| Interest on net OPEB obligation | 472 |
| Adjustment to annual required contribution | <u>4,639</u> |
| Annual OPEB cost | <u>72,302</u> |
| Contributions made | <u>57,862</u> |
| Increase in net OPEB obligation | <u>14,440</u> |
| Net OPEB obligation beginning of year | <u>18,863</u> |
| Net OPEB obligation end of year | <u><u>\$ 33,303</u></u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$57,862 to the medical plan.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Other Postemployment Benefits (OPEB) (continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

| <u>Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|-----------------------|-----------------------------|---|------------------------------------|
| June 30, 2012 | \$ 72,302 | 80.0% | \$ 33,303 |

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$710,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$710,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,030,000, and the ratio of the UAAL to covered payroll was 23.4%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Valuation Report as of June 30, 2007.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered payroll for the year ended June 30, 2012. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$385,990, \$329,802, and \$307,791, respectively, equal to the required contributions for each year.

Note 8. Risk Management

The District partially self-funds health insurance benefits for District employees. The District purchased a health plan with deductibles of \$2,000 for individuals and \$4,000 for families while employees see actual deductibles of \$250 and \$500 for single and family policies, respectively. The maximum liability to the district under this arrangement is \$230,750 for the year ended June 30, 2012, and actual payments made totaled \$73,425. The District has not reported any liabilities for incurred but not reported claims required under Financial Accounting and Standards Board Statement Number 5 due to the small size of the plan. Section 509A.15 of the Code of Iowa exempts such small plans from actuarial studies and such claims would be difficult to estimate otherwise.

In addition, West Marshall Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$350,121 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2012 is comprised of the following programs:

| <u>Program</u> | <u>Amount</u> |
|--|------------------|
| Gifted and talented programs | 35,764 |
| Returning dropout and dropout prevention | \$ 19,791 |
| Professional development for model core curriculum | 11,088 |
| At-risk programs | 3,210 |
| Non-public textbooks | 532 |
| Professional development | <u>100</u> |
| Total | <u>\$ 70,485</u> |

Note 11. Construction Commitments

The District has entered into various contracts totaling \$319,688 for a window replacement project and weight room addition. As of June 30, 2012, work on these projects had not yet been started.

Required Supplementary Information

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2012

| | Governmental Funds - Actual | Proprietary Fund - Actual | Total Actual | Budgeted Amounts Original and Final | Final to Actual Variance |
|--|-----------------------------------|---------------------------------|---------------------|--|--------------------------------|
| REVENUES: | | | | | |
| Local sources | \$ 4,612,760 | \$ 355,942 | \$ 4,968,702 | \$ 4,669,858 | \$ 298,844 |
| Intermediate sources | - | - | - | 8,000 | (8,000) |
| State sources | 4,517,655 | 4,257 | 4,521,912 | 4,634,709 | (112,797) |
| Federal sources | 307,408 | 181,553 | 488,961 | 418,000 | 70,961 |
| Total revenues | 9,437,823 | 541,752 | 9,979,575 | 9,730,567 | 249,008 |
| EXPENDITURES/EXPENSES: | | | | | |
| Instruction | 5,119,015 | 59,126 | 5,178,141 | 5,830,000 | 651,859 |
| Support services | 3,094,709 | 11,127 | 3,105,836 | 3,815,000 | 709,164 |
| Non-instructional programs | - | 412,611 | 412,611 | 480,000 | 67,389 |
| Other expenditures | 2,438,777 | - | 2,438,777 | 2,478,829 | 40,052 |
| Total expenditures/expenses | 10,652,501 | 482,864 | 11,135,365 | 12,603,829 | 1,468,464 |
| Excess (deficiency) of revenues over (under) expenditures/ expenses | (1,214,678) | 58,888 | (1,155,790) | (2,873,262) | 1,717,472 |
| Other financing sources, net | 16,313 | - | 16,313 | - | 16,313 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses | (1,198,365) | 58,888 | (1,139,477) | (2,873,262) | 1,733,785 |
| Balance beginning of year | 5,609,069 | 253,233 | 5,862,302 | 4,092,929 | 1,769,373 |
| Balance end of year | <u>\$ 4,410,704</u> | <u>\$ 312,121</u> | <u>\$ 4,722,825</u> | <u>\$ 1,219,667</u> | <u>\$ 3,503,158</u> |

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2012

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------------|--------------------------------|--|---|--------------------------------------|----------------------------|-----------------------------|---|
| 2010 | July 1, 2009 | \$ - | \$ 710 | \$ 710 | 0.0% | \$ 2,800 | 25.4% |
| 2011 | July 1, 2009 | - | 710 | 710 | 0.0% | 3,040 | 23.4% |
| 2012 | July 1, 2009 | - | 710 | 710 | 0.0% | 3,030 | 23.4% |

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

| | Special Revenue | | | |
|--|-------------------|-------------------|-------------------|---------------------|
| | Management | Student | Debt | |
| | Levy | Activity | Service | Total |
| Assets | | | | |
| Cash and pooled investments | \$ 194,047 | \$ 137,778 | \$ 393,764 | \$ 725,589 |
| Receivables: | | | | |
| Property tax: | | | | |
| Current year | 1,739 | - | 2,999 | 4,738 |
| Succeeding year | 170,000 | - | 194,300 | 364,300 |
| Accrued interest | - | 99 | - | 99 |
| Total assets | \$ 365,786 | \$ 137,877 | \$ 591,063 | \$ 1,094,726 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 223 | \$ 640 | \$ - | \$ 863 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 170,000 | - | 194,300 | 364,300 |
| Total liabilities | 170,223 | 640 | 194,300 | 365,163 |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Debt service | - | - | 396,763 | 396,763 |
| Management levy purposes | 195,563 | - | - | 195,563 |
| Student activities | - | 137,237 | - | 137,237 |
| Total fund balances | 195,563 | 137,237 | 396,763 | 729,563 |
| Total liabilities and fund balances | \$ 365,786 | \$ 137,877 | \$ 591,063 | \$ 1,094,726 |

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2012

| | Special Revenue | | | |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Management | Student | Debt | |
| | Levy | Activity | Service | Total |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 125,287 | \$ - | \$ 226,393 | \$ 351,680 |
| Other | 710 | 142,056 | 1,817 | 144,583 |
| Total revenues | <u>125,997</u> | <u>142,056</u> | <u>228,210</u> | <u>496,263</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | 70,278 | 139,279 | - | 209,557 |
| Support services: | | | | |
| Operation and maintenance of | | | | |
| plant services | 59,946 | - | - | 59,946 |
| Transportation services | 10,684 | - | - | 10,684 |
| Other expenditures: | | | | |
| Long term debt: | | | | |
| Principal | - | - | 350,000 | 350,000 |
| Interest and fiscal charges | - | - | 418,961 | 418,961 |
| Total expenditures | <u>140,908</u> | <u>139,279</u> | <u>768,961</u> | <u>1,049,148</u> |
| Excess (deficiency) of revenues over | | | | |
| (under) expenditures | (14,911) | 2,777 | (540,751) | (552,885) |
| Other financing sources (uses): | | | | |
| Interfund transfers in | - | - | 542,699 | 542,699 |
| Net change in fund balances | (14,911) | 2,777 | 1,948 | (10,186) |
| Fund balances beginning of year | <u>210,474</u> | <u>134,460</u> | <u>394,815</u> | <u>739,749</u> |
| Fund balances end of year | <u>\$ 195,563</u> | <u>\$ 137,237</u> | <u>\$ 396,763</u> | <u>\$ 729,563</u> |

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2012

| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | Other Construction Projects | Total |
|--|---|--|-----------------------------------|---------------------|
| Assets | | | | |
| Cash and pooled investments | \$ 986,708 | \$ 55,003 | \$ 148 | \$ 1,041,859 |
| Receivables: | | | | |
| Property tax: | | | | |
| Current year | - | 1,001 | - | 1,001 |
| Succeeding year | - | 78,277 | - | 78,277 |
| Due from other governments | 97,784 | - | - | 97,784 |
| Total assets | \$ 1,084,492 | \$ 134,281 | \$ 148 | \$ 1,218,921 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Deferred revenue: | | | | |
| Succeeding year property tax | - | 78,277 | - | 78,277 |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Debt service | 508,900 | - | - | 508,900 |
| School infrastructure | 575,592 | - | - | 575,592 |
| Physical plant and equipment | - | 56,004 | - | 56,004 |
| Capital projects | - | - | 148 | 148 |
| Total fund balances | 1,084,492 | 56,004 | 148 | 1,140,644 |
| Total liabilities and fund balances | \$ 1,084,492 | \$ 134,281 | \$ 148 | \$ 1,218,921 |

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2012

| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | Other Construction Projects | Total |
|--|---|--|-----------------------------------|---------------------|
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 647,989 | \$ 75,569 | \$ - | \$ 723,558 |
| Other | 10,478 | 143 | 3,794 | 14,415 |
| Federal sources | - | 24,016 | - | 24,016 |
| Total revenues | <u>658,467</u> | <u>99,728</u> | <u>3,794</u> | <u>761,989</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Support services: | | | | |
| Administration services | - | - | 16 | 16 |
| Transportation services | - | 50,000 | - | 50,000 |
| Other expenditures: | | | | |
| Facilities acquisition | 1,074,330 | 69,998 | 175,367 | 1,319,695 |
| Total expenditures | <u>1,074,330</u> | <u>119,998</u> | <u>175,383</u> | <u>1,369,711</u> |
| Excess (deficiency) of revenues over (under) expenditures | (415,863) | (20,270) | (171,589) | (607,722) |
| Other financing sources (uses): | | | | |
| Compensation for loss of capital assets | - | - | 16,313 | 16,313 |
| Interfund transfers out | (457,091) | - | (85,608) | (542,699) |
| Total other financing sources (uses) | <u>(457,091)</u> | <u>-</u> | <u>(69,295)</u> | <u>(526,386)</u> |
| Net change in fund balances | (872,954) | (20,270) | (240,884) | (1,134,108) |
| Fund balances beginning of year | <u>1,957,446</u> | <u>76,274</u> | <u>241,032</u> | <u>2,274,752</u> |
| Fund balances end of year | <u>\$ 1,084,492</u> | <u>\$ 56,004</u> | <u>\$ 148</u> | <u>\$ 1,140,644</u> |

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2012

| Account | Balance Beginning of Year | Revenues | Expenditures | Balance End of Year |
|------------------------|---------------------------------|------------|--------------|---------------------------|
| 6th Grade Store | \$ 71 | \$ - | \$ - | \$ 71 |
| Drama | 3,240 | 2,865 | 2,634 | 3,471 |
| Speech | 243 | 100 | 135 | 208 |
| Color Guard | 61 | - | 61 | - |
| Cross Country | 744 | 1,910 | 1,248 | 1,406 |
| Elementary Renaissance | 1,141 | - | 246 | 895 |
| Spanish Club | 244 | 870 | 870 | 244 |
| Athletic Memberships | 717 | 590 | 1,307 | - |
| Golf | 2,680 | 1,995 | 633 | 4,042 |
| Basketball | 1,494 | 15,035 | 11,825 | 4,704 |
| Volleyball | 1,147 | 3,251 | 2,608 | 1,790 |
| Football | 27,032 | 37,140 | 43,989 | 20,183 |
| Baseball | 1,579 | 9,325 | 9,349 | 1,555 |
| Track | 337 | 3,974 | 4,310 | 1 |
| Wrestling | 1,830 | 3,785 | 3,734 | 1,881 |
| Softball | 2,052 | 8,937 | 7,535 | 3,454 |
| FFA | 67,539 | 22,610 | 19,344 | 70,805 |
| National Honor Society | 597 | 319 | 341 | 575 |
| HS Cheerleaders | 3,310 | 2,513 | 3,627 | 2,196 |
| Dance Team | 1,053 | - | - | 1,053 |
| Class of 2012 | 783 | 107 | 890 | - |
| Class of 2013 | 40 | 3,573 | 2,642 | 971 |
| Class of 2014 | 30 | 145 | - | 175 |
| MS Student Council | 1,221 | 7,219 | 5,635 | 2,805 |
| HS Student Council | 1,620 | 3,391 | 3,825 | 1,186 |
| Interest | 259 | - | 119 | 140 |
| Annual | 10,628 | 8,110 | 7,974 | 10,764 |
| FBLA | 582 | - | - | 582 |
| Ag Day | 571 | - | 493 | 78 |
| MS Renaissance | 800 | 1,571 | 727 | 1,644 |
| HS Renaissance | 452 | 803 | 1,083 | 172 |
| FCCLA | 363 | 1,068 | 1,245 | 186 |
| Cash on Hand | - | 850 | 850 | - |
| Total | \$ 134,460 | \$ 142,056 | \$ 139,279 | \$ 137,237 |

See accompanying independent auditor's report.

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WEST MARSHALL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST NINE YEARS

| | Modified Accrual Basis Years Ended June 30, | | | |
|---|--|----------------------|----------------------|---------------------|
| | 2012 | 2011 | 2010 | 2009 |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 3,645,138 | \$ 3,376,272 | \$ 3,025,310 | \$ 2,984,118 |
| Tuition | 596,096 | 557,912 | 456,314 | 528,621 |
| Other | 371,526 | 553,278 | 395,569 | 330,592 |
| Intermediate sources | - | 5,475 | 6,780 | 5,700 |
| State sources | 4,517,655 | 4,551,255 | 3,914,188 | 4,654,608 |
| Federal sources | 307,408 | 376,599 | 739,200 | 164,927 |
| Total revenues | <u>\$ 9,437,823</u> | <u>\$ 9,420,791</u> | <u>\$ 8,537,361</u> | <u>\$ 8,668,566</u> |
| Expenditures: | | | | |
| Instruction | \$ 5,119,015 | \$ 5,141,683 | \$ 5,100,680 | \$ 5,182,907 |
| Support services: | | | | |
| Student services | 274,058 | 315,492 | 348,493 | 295,192 |
| Instructional staff services | 459,795 | 290,322 | 215,543 | 109,868 |
| Administration services | 886,561 | 779,883 | 773,205 | 760,549 |
| Operation and maintenance of plant services | 912,717 | 816,477 | 832,409 | 798,197 |
| Transportation services | 561,578 | 492,356 | 396,565 | 360,307 |
| Non-instructional programs | - | - | - | - |
| Other expenditures: | | | | |
| Facilities acquisition | 1,319,695 | 7,132,946 | 1,796,163 | 253,519 |
| Long-term debt: | | | | |
| Principal | 350,000 | 320,000 | 250,000 | 245,000 |
| Interest and fiscal charges | 418,961 | 428,600 | 40,295 | 47,645 |
| AEA flowthrough | 350,121 | 383,743 | 372,205 | 325,177 |
| Total expenditures | <u>\$ 10,652,501</u> | <u>\$ 16,101,502</u> | <u>\$ 10,125,558</u> | <u>\$ 8,378,361</u> |

See accompanying independent auditor's report.

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|----|------------------|------------------|------------------|------------------|------------------|
| \$ | 2,798,167 | \$ 2,849,760 | \$ 2,707,089 | \$ 2,622,810 | \$ 2,445,741 |
| | 451,647 | 339,047 | 332,004 | 230,457 | 183,515 |
| | 408,071 | 375,346 | 319,217 | 397,914 | 274,350 |
| | 18,565 | - | - | - | - |
| | 4,267,844 | 4,017,081 | 3,755,551 | 3,502,195 | 3,351,565 |
| | 150,082 | 131,078 | 143,735 | 78,220 | 108,264 |
| \$ | <u>8,094,376</u> | <u>7,712,312</u> | <u>7,257,596</u> | <u>6,831,596</u> | <u>6,363,435</u> |
| \$ | 4,546,804 | \$ 4,154,733 | \$ 3,813,183 | \$ 3,816,595 | \$ 3,620,129 |
| | 289,659 | 298,672 | 279,759 | 166,862 | 248,375 |
| | 186,558 | 111,777 | 110,117 | 179,497 | 132,999 |
| | 725,556 | 666,566 | 580,055 | 550,338 | 566,388 |
| | 817,383 | 615,841 | 703,672 | 853,764 | 674,474 |
| | 408,757 | 520,035 | 414,913 | 443,775 | 402,116 |
| | - | - | - | - | 1,827 |
| | 96,529 | 305,221 | 36,957 | 69,659 | 73,648 |
| | 230,000 | 225,000 | 220,000 | 215,000 | 160,000 |
| | 54,545 | 60,732 | 65,833 | 71,324 | 132,680 |
| | 298,826 | 277,407 | 254,985 | 242,842 | 244,573 |
| \$ | <u>7,654,617</u> | <u>7,235,984</u> | <u>6,479,474</u> | <u>6,609,656</u> | <u>6,257,209</u> |

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
West Marshall Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Marshall Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 15, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of West Marshall Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered West Marshall Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Marshall Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Marshall Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items II-B-12 and II-C-12 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Marshall Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about West Marshall Community School District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

West Marshall Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit West Marshall Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Marshall Community School District and other parties to whom West Marshall Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Marshall Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
October 15, 2012

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-12 Financial Reporting – During the audit, we identified material amounts of capital assets additions not recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all capital assets additions are identified and included in the District’s financial statements.

Response – We will double check these in the future to avoid missing any capital asset transactions.

Conclusion – Response accepted.

I-B-12 Financial Accounting – We noted in the course of our audit that the District’s Proprietary Fund, School Nutrition is accounted for using stand-alone spreadsheets, then summarized and incorporated into the District’s financial accounting system at year end to facilitate the required Department of Education chart of accounts upload.

Recommendation – The District should incorporate this fund into the financial accounting software system to avoid possible errors in financial statement presentation and to have all financial records centralized in one software system to prevent any possible loss of account history due to any catastrophic computer failure. The employee who currently enters the information into spreadsheet software would enter the same information into the District’s accounting software and avoid additional steps at year end.

Response – We have corrected this for the fiscal year ending June 30, 2013.

Conclusion – Response accepted.

I-C-12 Unauthorized Check Signer – We noted in our testing of the District’s bank records that one account has an unauthorized check signer.

Recommendation – The District should remove this person as an authorized signer as soon as possible to protect the underlying asset and maintain good controls over the bank accounts.

Response – We will remove this person as an authorized check signer and will make more timely changes as required in the future.

Conclusion – Response accepted.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting:

- II-A-12 Certified Budget – Expenditures for the year ended June 30, 2012, did not exceed the amounts budgeted.
- II-B-12 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-12 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-12 Business Transactions – No business transactions between the District and District officials or employees were noted.
- II-E-12 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-12 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-12 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-12 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-12 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-12 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-12 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-L-12 Statewide Sales and Services Tax (continued)

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

| | | |
|------------------------------------|----------------|---------------------|
| Beginning balance | | \$ 1,957,446 |
| Revenues: | | |
| Sales tax revenues | \$ 647,989 | |
| Interest | <u>10,478</u> | 658,467 |
| Expenditures/transfers out: | | |
| School infrastructure construction | 1,050,149 | |
| Land improvements | 15,298 | |
| Other | 8,883 | |
| Transfers to other funds: | | |
| Debt Service Fund | <u>457,091</u> | <u>1,531,421</u> |
| Ending balance | | <u>\$ 1,084,492</u> |

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

**WEST MARSHALL COMMUNITY SCHOOL DISTRICT
STATE CENTER, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2012

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WEST MARSHALL COMMUNITY SCHOOL DISTRICT

OFFICIALS

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|----------------------------------|--|---------------------|
| <u>Board of Education</u> | | |
| (Before September 2011 election) | | |
| Gary Conkin | President | 2011 |
| Lisa Breja | Vice President | 2011 |
| Julie Randall | Board Member | 2011 |
| Kristine Weitzell | Board Member | 2011 |
| Wayne Larsen | Board Member | 2013 |
| Steve Smith | Board Member | 2013 |
| Tom Hemesath | Board Member | 2013 |
| (After September 2011 election) | | |
| Lisa Breja | President | 2015 |
| Wayne Larsen | Vice President | 2013 |
| Steve Smith | Board Member | 2013 |
| Tom Hemesath | Board Member | 2013 |
| Julie Randall | Board Member | 2015 |
| Gary Conkin | Board Member | 2015 |
| Jeff Lanning | Board Member | 2015 |
| <u>School Officials</u> | | |
| Ned Sellers | Superintendent | 2014 |
| Stephanie Edler | District Secretary/Treasurer and Business Manager | 2012 |
| Rex Ryden | Attorney | Indefinite |

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
West Marshall Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Marshall Community School District, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Marshall Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2012 on our consideration of West Marshall Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 14 and 50 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Marshall Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the seven years ended June 30, 2010 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
October 15, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Marshall Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,058,770 in fiscal 2011 to \$8,179,571 in fiscal 2012. General Fund expenditures increased from \$7,959,964 in fiscal 2011 to \$8,233,642 in fiscal 2012. The District's General Fund balance decreased from \$2,594,568 in fiscal 2011 to \$2,540,497 in fiscal 2012, a 2% decrease.
- The increase in General Fund revenues was primarily attributable to an increase in local tax proceeds. The increase in expenditures was due primarily to an increase in supplies and purchased services.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Marshall Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Marshall Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Marshall Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
West Marshall Community School District Annual Financial Report

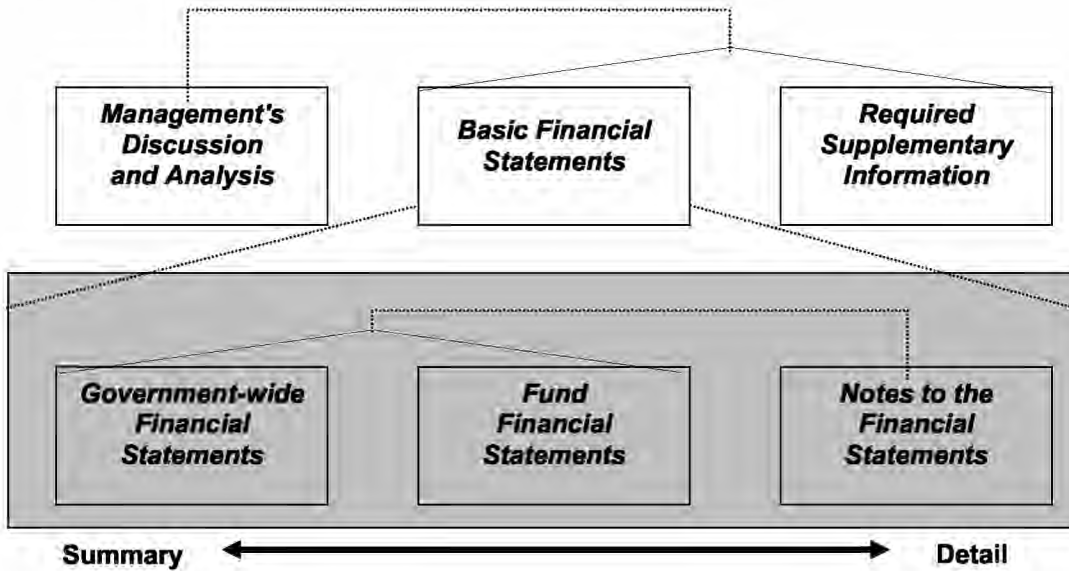


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

| Figure A-2 Major Features of the Government-wide and Fund Financial Statements | | | | |
|---|--|--|--|---|
| | Government-wide Statements | Fund Statements | | |
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire District (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance | Activities the District operates similar to private businesses: food services and preschool | Instances in which the District administers resources on behalf of someone else, such as scholarship programs |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net assets • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances | <ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows | <ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/ liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, short-term and long-term | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow/ outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid | All additions and deductions during the year, regardless of when cash is received or paid |

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Preschool Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund used to account for the District's self-insurance fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2012.

Figure A-3

Figure A-5

| | Condensed Statement of Net Assets | | | | | | |
|--|-----------------------------------|-------------------|--------------------------|----------------|-----------------------|-------------------|-------------------|
| | Governmental Activities | | Business-type Activities | | Total School District | | Percentage Change |
| | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011-12 |
| | \$ | \$ | \$ | \$ | \$ | \$ | |
| Current and other assets | 10,051,426 | 8,167,375 | 223,808 | 159,827 | 10,275,234 | 8,327,202 | -18.9% |
| Capital assets | 12,545,187 | 13,328,450 | 43,127 | 167,163 | 12,588,314 | 13,495,613 | 7.2% |
| Total assets | 22,596,613 | 21,495,825 | 266,935 | 326,990 | 22,863,548 | 21,822,815 | -4.6% |
| Long-term liabilities | 10,725,663 | 10,370,803 | - | - | 10,725,663 | 10,370,803 | -3.3% |
| Other liabilities | 4,335,274 | 3,618,264 | 13,702 | 14,869 | 4,348,976 | 3,633,133 | -16.5% |
| Total liabilities | 15,060,937 | 13,989,067 | 13,702 | 14,869 | 15,074,639 | 14,003,936 | -7.1% |
| Net Assets: | | | | | | | |
| Invested in capital assets, net of related debt | 2,035,187 | 3,168,450 | 43,127 | 167,163 | 2,078,314 | 3,335,613 | 60.5% |
| Restricted | 2,735,528 | 1,626,178 | - | - | 2,735,528 | 1,626,178 | -40.6% |
| Unrestricted | 2,764,961 | 2,712,130 | 210,106 | 144,958 | 2,975,067 | 2,857,088 | -4.0% |
| TOTAL NET ASSETS | 7,535,676 | 7,506,758 | 253,233 | 312,121 | 7,788,909 | 7,818,879 | 0.4% |

The District's combined total net assets increased by a modest 0.4%, or approximately \$29,970, over the prior year.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$1,109,350 or 40% over the prior year. The decrease is due primarily to the use of the bond proceeds for the construction project.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$117,979, or 4%.

Figure A-4 shows the change in net assets for the years ended June 30, 2011 and 2012.

Figure A-4

| | Change in Net Assets | | | | | | Percentage Change 2011-12 |
|--|----------------------------|------------------|-----------------------------|----------------|--------------------------|-------------------|---------------------------------|
| | Governmental Activities | | Business-type Activities | | Total School District | | |
| | 2011 \$ | 2012 \$ | 2011 \$ | 2012 \$ | 2011 \$ | 2012 \$ | |
| Revenues | | | | | | | |
| Program Revenues: | | | | | | | |
| Charges for services | 801,257 | 825,403 | 261,569 | 293,443 | 1,062,826 | 1,118,846 | 5.3% |
| Operating grants & contributions | 1,196,688 | 1,249,699 | 168,833 | 185,810 | 1,365,521 | 1,435,509 | 5.1% |
| Capital grants & contributions | - | 40,329 | - | 62,359 | - | 102,688 | n/a |
| General Revenues: | | | | | | | |
| Property taxes | 2,489,168 | 2,657,889 | - | - | 2,489,168 | 2,657,889 | 6.8% |
| Income Surtax | 327,237 | 353,268 | - | - | 327,237 | 353,268 | 8.0% |
| Statewide sales & services tax | 567,006 | 647,989 | - | - | 567,006 | 647,989 | 14.3% |
| Unrestricted state and federal grants | 3,737,787 | 3,596,617 | - | - | 3,737,787 | 3,596,617 | -3.8% |
| Unrestricted investment earnings | 221,983 | 62,836 | 2,199 | 140 | 224,182 | 62,976 | -71.9% |
| Other revenue | 88,784 | 34,114 | - | - | 88,784 | 34,114 | -61.6% |
| Total Revenues | 9,429,910 | 9,468,144 | 432,601 | 541,752 | 9,862,511 | 10,009,896 | 1.5% |
| Expenses: | | | | | | | |
| Instruction | 5,167,008 | 5,093,828 | - | 59,126 | 5,167,008 | 5,152,954 | -0.3% |
| Support services | 2,536,871 | 3,023,780 | 10,229 | 11,127 | 2,547,100 | 3,034,907 | 19.2% |
| Non-instructional programs | - | - | 463,927 | 412,611 | 463,927 | 412,611 | -11.1% |
| Other expenditures | 1,024,539 | 1,379,454 | - | - | 1,024,539 | 1,379,454 | 34.6% |
| Total expenses | 8,728,418 | 9,497,062 | 474,156 | 482,864 | 9,202,574 | 9,979,926 | 8.4% |
| Change in net assets before Transfers | 701,492 | (28,918) | (41,555) | 58,888 | 659,937 | 29,970 | -95.5% |
| Transfers | - | - | - | - | - | - | |
| CHANGE IN NET ASSETS | 701,492 | (28,918) | (41,555) | 58,888 | 659,937 | 29,970 | -95.5% |
| Net assets beginning of year, as restated | 6,834,184 | 7,535,676 | 294,788 | 253,233 | 7,128,972 | 7,788,909 | 9.3% |
| Net assets end of year | 7,535,676 | 7,506,758 | 253,233 | 312,121 | 7,788,909 | 7,818,879 | 0.4% |

Property tax and unrestricted state grants account for 62% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 82% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$9,468,144, a slight increase over 2011. The largest increases were in property taxes and Statewide Sales & Services Tax. Additionally, there was a large decrease in earnings revenue due to low interest rates and a smaller balance in the capital projects fund. Expenses increased 8% over 2011. Most of the increase was in support services and other expenditures. There was an increase in supplies purchased, technology equipment purchased due to the Microsoft Settlement proceeds and architect fees for the wrestling room.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

| Total and Net Cost of Governmental Activities | | | | | | |
|---|------------------------|------------------|-------------------|----------------------|------------------|-------------------|
| | Total Cost of Services | | | Net Cost of Services | | |
| | 2011 \$ | 2012 \$ | Change 2011-12 | 2011 \$ | 2012 \$ | Change 2011-12 |
| Instruction | 5,167,008 | 5,093,828 | -1.4% | 3,624,074 | 3,422,629 | -5.6% |
| Support Services | 2,536,871 | 3,023,780 | 19.2% | 2,465,603 | 2,969,998 | 20.5% |
| Non-instructional Programs | - | - | | - | - | |
| Other Expenses | 1,024,539 | 1,379,454 | 34.6% | 640,796 | 989,004 | 54.3% |
| TOTAL | 8,728,418 | 9,497,062 | 8.8% | 6,730,473 | 7,381,631 | 9.7% |

- The cost financed by users of the District's programs was \$825,403. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,249,699.
- The net cost of governmental activities was financed primarily with \$3,659,146 in property and other local taxes and \$3,596,617 in unrestricted state grants.

Business Type Activities

Revenues for business type activities increased 25% to \$541,752 and expenses increased 1.8% to \$482,864. The District's business type activities include the School Nutrition and Preschool Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. Most of the increase in revenues was due to an increase in meal prices combined with an increase in the number of meals served, as well as an increase in tuition for the preschool to cover projected costs.

During the year ended June 30, 2012, the District increased meal prices. The increase ranged from \$0.10 to \$0.15.

INDIVIDUAL FUND ANALYSIS

As previously noted, West Marshall Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,410,704, as compared to last year's ending fund balances of \$5,609,069. The primary reason for the decrease is due to completion of the construction of the middle school project as well as other facility projects with limited increase in funding.

Governmental Fund Highlights

- The General Fund balance decreased from \$2,594,568 to \$2,540,497, or 2%. This is due largely to addressing some facility needs and purchase of a new school bus while experiencing minimal increase in funding.

- The Capital Projects Fund balance decreased from \$2,274,752 in 2011 to \$1,140,644 in 2012 due to the completion of the middle school construction project.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$184,200 at June 30, 2011, to \$237,919 at June 30, 2012, representing an increase of approximately 29%. The increase in net assets is due to primarily to a contribution of equipment valued at \$62,359 from the District's Capital Projects Fund related to the completion of the construction of the new middle school kitchen.

BUDGETARY HIGHLIGHTS

Over the course of the year, West Marshall Community School District did not amend its annual budget.

The District's receipts were \$249,008 more than the amount that was budgeted. The District's expenditures were less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$13.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 7% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$441,034.

Figure A-6

Capital Assets (net of depreciation)

| | Governmental Activities | | Business type Activities | | Total School District | | Percentage Change |
|--------------------------|----------------------------|-------------------|-----------------------------|----------------|--------------------------|-------------------|----------------------|
| | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011-12 |
| | \$ | \$ | \$ | \$ | \$ | \$ | |
| Land | 125,000 | 125,000 | - | - | 125,000 | 125,000 | 0% |
| Construction in progress | 8,239,127 | - | - | - | 8,244,818 | - | -100.0% |
| Buildings | 3,714,606 | 12,739,635 | - | - | 3,714,606 | 12,739,635 | 243.0% |
| Improvements | 330,193 | 311,332 | - | - | 331,003 | 311,332 | -5.9% |
| Equipment & Furniture | 136,261 | 152,483 | 43,127 | 167,163 | 179,388 | 319,646 | 78.2% |
| TOTAL | 12,545,187 | 13,328,450 | 43,127 | 167,163 | 12,588,314 | 13,495,613 | 7.2% |

Long-Term Debt

At June 30, 2012 the District had \$10,370,803 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 3% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

There was one employee that took advantage of the District's Early Retirement Policy at the end of the 2011-12, compared to two in the prior year. The outstanding long-term obligation is largely due to the bonds sold in 2010 to fund the middle school construction project.

Figure A-7
Outstanding Long-Term Obligations

| | Total School District | | Percentage |
|--------------------------------------|------------------------------|-------------------|-------------------|
| | 2011 | 2012 | Change |
| | | | 2011-12 |
| | \$ | \$ | |
| General Obligation Bonds | 4,610,000 | 4,260,000 | -7.6% |
| Revenue bonds | 5,900,000 | 5,900,000 | 0.0% |
| Termination benefits | 196,800 | 177,500 | -9.8% |
| Other postemployment benefits (OPEB) | 18,863 | 33,303 | 76.6% |
| | 10,725,663 | 10,370,803 | -3.3% |

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of few existing circumstances that could significantly affect its financial health in the future:

- Possible sequestration will affect the federal funding (aside from Nutrition) in fiscal year 2013-14.
- Low interest rates continue to affect our revenue.
- The impact of healthcare reform could have a potentially large financial impact on the district.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ned Sellers, Superintendent, or Stephanie Edler, Business Manager, West Marshall Community School District, 601 3rd St. NW, PO Box 670, State Center, IA 50247.

Basic Financial Statements

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|-------------------|
| Assets | | | |
| Cash and pooled investments | \$ 5,021,564 | \$ 144,844 | \$ 5,166,408 |
| Receivables: | | | |
| Property tax: | | | |
| Current year | 36,692 | - | 36,692 |
| Succeeding year | 2,559,913 | - | 2,559,913 |
| Income surtax | 320,079 | - | 320,079 |
| Accrued interest | 99 | - | 99 |
| Accounts | 61,230 | - | 61,230 |
| Due from other governments | 129,531 | - | 129,531 |
| Inventories | - | 14,983 | 14,983 |
| Bond issuance costs | 38,267 | - | 38,267 |
| Capital assets, net of accumulated depreciation (note 4) | 13,328,450 | 167,163 | 13,495,613 |
| Total assets | 21,495,825 | 326,990 | 21,822,815 |
| Liabilities | | | |
| Accounts payable | 127,607 | - | 127,607 |
| Salaries and benefits payable | 697,111 | 8,123 | 705,234 |
| Accrued interest payable | 137,014 | - | 137,014 |
| Deferred revenue: | | | |
| Succeeding year property tax | 2,559,913 | - | 2,559,913 |
| Other | - | 6,746 | 6,746 |
| Bond premium | 96,619 | - | 96,619 |
| Long-term liabilities (note 5): | | | |
| Portion due within one year: | | | |
| Early retirement | 44,650 | - | 44,650 |
| Bonds payable | 365,000 | - | 365,000 |
| Portion due after one year: | | | |
| Early retirement | 132,850 | - | 132,850 |
| Bonds payable | 9,795,000 | - | 9,795,000 |
| Net OPEB liability | 33,303 | - | 33,303 |
| Total liabilities | 13,989,067 | 14,869 | 14,003,936 |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|--------------|
| Net Assets | | | |
| Invested in capital assets, net of related debt | \$ 3,168,450 | \$ 167,163 | \$ 3,335,613 |
| Restricted for: | | | |
| Categorical funding (note 10) | 70,485 | - | 70,485 |
| Management levy purposes | 18,063 | - | 18,063 |
| Physical plant and equipment levy purposes | 56,004 | - | 56,004 |
| Student activities | 137,237 | - | 137,237 |
| Debt service | 768,649 | - | 768,649 |
| Capital projects | 575,740 | - | 575,740 |
| Unrestricted | 2,712,130 | 144,958 | 2,857,088 |
| Total net assets | \$ 7,506,758 | \$ 312,121 | \$ 7,818,879 |

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

| Functions/Programs | Expenses | Program Revenues | | |
|---|------------------|----------------------|---|----------------------------------|
| | | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants and Contributions |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular instruction | \$ 3,234,742 | \$ 553,803 | \$ 714,354 | \$ - |
| Special instruction | 982,532 | 96,307 | 114,549 | - |
| Other instruction | 876,554 | 174,013 | 18,173 | - |
| | <u>5,093,828</u> | <u>824,123</u> | <u>847,076</u> | <u>-</u> |
| Support services: | | | | |
| Student services | 274,058 | - | 319 | - |
| Instructional staff services | 459,795 | - | 52,183 | - |
| Administration services | 886,849 | - | - | - |
| Operation and maintenance of plant services | 865,021 | - | - | - |
| Transportation services | 538,057 | 1,280 | - | - |
| | <u>3,023,780</u> | <u>1,280</u> | <u>52,502</u> | <u>-</u> |
| Other expenditures: | | | | |
| Facilities acquisition | 255,245 | - | - | 40,329 |
| Long-term debt interest and fiscal charges | 414,822 | - | - | - |
| AEA flowthrough | 350,121 | - | 350,121 | - |
| Depreciation (unallocated) * | 359,266 | - | - | - |
| | <u>1,379,454</u> | <u>-</u> | <u>350,121</u> | <u>40,329</u> |
| Total governmental activities | <u>9,497,062</u> | <u>825,403</u> | <u>1,249,699</u> | <u>40,329</u> |
| Business-Type Activities: | | | | |
| Instruction: | | | | |
| Preschool operations | <u>59,126</u> | <u>64,295</u> | <u>-</u> | <u>-</u> |
| Support services: | | | | |
| Food service operations | 11,127 | - | - | - |

| Net (Expense) Revenue and Changes in Net Assets | | |
|--|-----------------------------|--------------------|
| Governmental Activities | Business-Type Activities | Total |
| \$ (1,966,585) | \$ - | \$ (1,966,585) |
| (771,676) | - | (771,676) |
| (684,368) | - | (684,368) |
| <u>(3,422,629)</u> | <u>-</u> | <u>(3,422,629)</u> |
| (273,739) | - | (273,739) |
| (407,612) | - | (407,612) |
| (886,849) | - | (886,849) |
| (865,021) | - | (865,021) |
| <u>(536,777)</u> | <u>-</u> | <u>(536,777)</u> |
| <u>(2,969,998)</u> | <u>-</u> | <u>(2,969,998)</u> |
| (214,916) | - | (214,916) |
| (414,822) | - | (414,822) |
| - | - | - |
| <u>(359,266)</u> | <u>-</u> | <u>(359,266)</u> |
| <u>(989,004)</u> | <u>-</u> | <u>(989,004)</u> |
| <u>(7,381,631)</u> | <u>-</u> | <u>(7,381,631)</u> |
| - | 5,169 | 5,169 |
| - | (11,127) | (11,127) |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

| Functions/Programs | Expenses | Program Revenues | | |
|--------------------------------|--------------|-------------------------|---|--|
| | | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants and Contributions |
| Business-Type Activities: | | | | |
| Non-instructional programs: | | | | |
| Food service operations | \$ 412,611 | \$ 229,148 | \$ 185,810 | \$ 62,359 |
| Total business-type activities | 482,864 | 293,443 | 185,810 | 62,359 |
| Total | \$ 9,979,926 | \$ 1,118,846 | \$ 1,435,509 | \$ 102,688 |

General revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
 Income surtax
 Statewide sales, services and use tax
 Unrestricted state and federal grants
 Unrestricted investment earnings
 Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation included
 in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

| <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|------------------------------------|-------------------------------------|---------------------|
| \$ - | \$ 64,706 | \$ 64,706 |
| - | 58,748 | 58,748 |
| (7,381,631) | 58,748 | (7,322,883) |
| | | |
| \$ 2,355,927 | \$ - | \$ 2,355,927 |
| 226,393 | - | 226,393 |
| 75,569 | - | 75,569 |
| 353,268 | - | 353,268 |
| 647,989 | - | 647,989 |
| 3,596,617 | - | 3,596,617 |
| 62,836 | 140 | 62,976 |
| 34,114 | - | 34,114 |
| 7,352,713 | 140 | 7,352,853 |
| (28,918) | 58,888 | 29,970 |
| 7,535,676 | 253,233 | 7,788,909 |
| <u>\$ 7,506,758</u> | <u>\$ 312,121</u> | <u>\$ 7,818,879</u> |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

| | <u>General</u> | <u>Capital Projects</u> | <u>Nonmajor</u> | <u>Total</u> |
|-----------------------------|---------------------|-----------------------------|---------------------|---------------------|
| Assets | | | | |
| Cash and pooled investments | \$ 3,240,422 | \$ 1,041,859 | \$ 725,589 | \$ 5,007,870 |
| Receivables: | | | | |
| Property tax: | | | | |
| Current year | 30,953 | 1,001 | 4,738 | 36,692 |
| Succeeding year | 2,117,336 | 78,277 | 364,300 | 2,559,913 |
| Income surtax | 320,079 | - | - | 320,079 |
| Accrued interest | - | - | 99 | 99 |
| Accounts | 61,230 | - | - | 61,230 |
| Due from other governments | <u>31,747</u> | <u>97,784</u> | <u>-</u> | <u>129,531</u> |
| Total assets | <u>\$ 5,801,767</u> | <u>\$ 1,218,921</u> | <u>\$ 1,094,726</u> | <u>\$ 8,115,414</u> |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

| | General | Capital Projects | Nonmajor | Total |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 126,744 | \$ - | \$ 863 | \$ 127,607 |
| Salaries and benefits payable | 697,111 | - | - | 697,111 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 2,117,336 | 78,277 | 364,300 | 2,559,913 |
| Other | 320,079 | - | - | 320,079 |
| Total liabilities | <u>3,261,270</u> | <u>78,277</u> | <u>365,163</u> | <u>3,704,710</u> |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Categorical funding (note 10) | 70,485 | - | - | 70,485 |
| Debt service | - | 508,900 | 396,763 | 905,663 |
| Management levy purposes | - | - | 195,563 | 195,563 |
| Student activities | - | - | 137,237 | 137,237 |
| School infrastructure | - | 575,592 | - | 575,592 |
| Physical plant and equipment | - | 56,004 | - | 56,004 |
| Capital projects | - | 148 | - | 148 |
| Unassigned | 2,470,012 | - | - | 2,470,012 |
| Total fund balances | <u>2,540,497</u> | <u>1,140,644</u> | <u>729,563</u> | <u>4,410,704</u> |
| Total liabilities and fund balances | <u>\$ 5,801,767</u> | <u>\$ 1,218,921</u> | <u>\$ 1,094,726</u> | <u>\$ 8,115,414</u> |

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2012

| | |
|---|---------------------|
| Total fund balances of governmental funds | \$ 4,410,704 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 13,328,450 |
| Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. | 320,079 |
| An internal service fund is used by the District's management to charge the costs of the partially self-funded health insurance program and employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. | 13,694 |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. | (137,014) |
| Long-term liabilities, including bonds payable, early retirement, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Also included is the net difference between bond issuance costs and bond premium costs being amortized over the life of the associated debt. | <u>(10,429,155)</u> |
| Net assets of governmental activities | <u>\$ 7,506,758</u> |
| See notes to financial statements. | |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

| | General | Capital Projects | Nonmajor | Total |
|--|--------------|---------------------|------------|--------------|
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 2,569,900 | \$ 723,558 | \$ 351,680 | \$ 3,645,138 |
| Tuition | 596,096 | - | - | 596,096 |
| Other | 212,528 | 14,415 | 144,583 | 371,526 |
| State sources | 4,517,655 | - | - | 4,517,655 |
| Federal sources | 283,392 | 24,016 | - | 307,408 |
| Total revenues | 8,179,571 | 761,989 | 496,263 | 9,437,823 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | 4,909,458 | - | 209,557 | 5,119,015 |
| Support services: | | | | |
| Student services | 274,058 | - | - | 274,058 |
| Instructional staff services | 459,795 | - | - | 459,795 |
| Administration services | 886,545 | 16 | - | 886,561 |
| Operation and maintenance of plant services | 852,771 | - | 59,946 | 912,717 |
| Transportation services | 500,894 | 50,000 | 10,684 | 561,578 |
| | 2,974,063 | 50,016 | 70,630 | 3,094,709 |
| Other expenditures: | | | | |
| Facilities acquisition | - | 1,319,695 | - | 1,319,695 |
| Long term debt: | | | | |
| Principal | - | - | 350,000 | 350,000 |
| Interest and fiscal charges | - | - | 418,961 | 418,961 |
| AEA flowthrough | 350,121 | - | - | 350,121 |
| | 350,121 | 1,319,695 | 768,961 | 2,438,777 |
| Total expenditures | 8,233,642 | 1,369,711 | 1,049,148 | 10,652,501 |
| Excess (deficiency) of revenues over (under) expenditures | (54,071) | (607,722) | (552,885) | (1,214,678) |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

| | <u>General</u> | <u>Capital Projects</u> | <u>Nonmajor</u> | <u>Total</u> |
|---|---------------------|-----------------------------|-------------------|---------------------|
| Other financing sources (uses): | | | | |
| Compensation for loss of capital assets | \$ - | \$ 16,313 | \$ - | \$ 16,313 |
| Interfund transfers in (note 3) | - | - | 542,699 | 542,699 |
| Interfund transfers out (note 3) | - | (542,699) | - | (542,699) |
| Total other financing sources (uses) | - | (526,386) | 542,699 | 16,313 |
| Net change in fund balances | (54,071) | (1,134,108) | (10,186) | (1,198,365) |
| Fund balances beginning of year | 2,594,568 | 2,274,752 | 739,749 | 5,609,069 |
| Fund balances end of year | <u>\$ 2,540,497</u> | <u>\$ 1,140,644</u> | <u>\$ 729,563</u> | <u>\$ 4,410,704</u> |

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ (1,198,365)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

| | | |
|---------------------------------|------------------|---------|
| Expenditures for capital assets | \$ 1,205,195 | |
| Depreciation expense | <u>(421,932)</u> | 783,263 |

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. 14,008

An Internal Service Fund is used by the District's management to charge the costs of the partially self-funded health insurance program and employee flexible benefit program to the individual funds. The net expense of the internal service fund is reported with governmental activities. 13,177

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 350,000

Interest on long-term debt and amortization of bond issuance costs and bond premiums in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 4,139

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

| | | |
|----------------------|-----------------|--------------|
| Early retirement | 19,300 | |
| Compensated absences | | |
| Net OPEB liability | <u>(14,440)</u> | <u>4,860</u> |

Change in net assets of governmental activities \$ (28,918)

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

| | Enterprise Funds | | | Governmental Activities |
|---|---------------------|--------------------------------|-------------------|-----------------------------|
| | School Nutrition | Nonmajor Enterprise Fund | Total | Internal Service Fund |
| Assets | | | | |
| Cash and cash equivalents | \$ 62,889 | \$ 81,955 | \$ 144,844 | \$ 13,694 |
| Inventories | 14,983 | - | 14,983 | - |
| Capital assets, net of accumulated depreciation (note 4) | 167,163 | - | 167,163 | - |
| Total assets | <u>245,035</u> | <u>81,955</u> | <u>326,990</u> | <u>13,694</u> |
| Liabilities | | | | |
| Salaries and benefits payable | 370 | 7,753 | 8,123 | - |
| Deferred revenue | 6,746 | - | 6,746 | - |
| Total liabilities | <u>7,116</u> | <u>7,753</u> | <u>14,869</u> | <u>-</u> |
| Net Assets | | | | |
| Invested in capital assets | 167,163 | - | 167,163 | - |
| Unrestricted | <u>70,756</u> | <u>74,202</u> | <u>144,958</u> | <u>13,694</u> |
| Total net assets | <u>\$ 237,919</u> | <u>\$ 74,202</u> | <u>\$ 312,121</u> | <u>\$ 13,694</u> |

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2012

| | Enterprise Funds | | | Governmental Activities |
|-----------------------------|---------------------|--------------------------------|------------|-----------------------------|
| | School Nutrition | Nonmajor Enterprise Fund | Total | Internal Service Fund |
| Operating revenues: | | | | |
| Local sources: | | | | |
| Charges for services | \$ 229,148 | \$ 64,295 | \$ 293,443 | \$ 68,378 |
| Operating expenses: | | | | |
| Instruction: | | | | |
| Salaries | - | 43,836 | 43,836 | - |
| Benefits | - | 13,303 | 13,303 | - |
| Supplies | - | 1,987 | 1,987 | - |
| | - | 59,126 | 59,126 | - |
| Support services: | | | | |
| Purchased services | 6,751 | - | 6,751 | 55,259 |
| Supplies | 4,376 | - | 4,376 | - |
| | 11,127 | - | 11,127 | 55,259 |
| Non-instructional programs: | | | | |
| Salaries | 141,002 | - | 141,002 | - |
| Benefits | 25,557 | - | 25,557 | - |
| Purchased services | 5,025 | - | 5,025 | - |
| Supplies | 221,925 | - | 221,925 | - |
| Depreciation | 19,102 | - | 19,102 | - |
| | 412,611 | - | 412,611 | - |
| Total operating expenses | 423,738 | 59,126 | 482,864 | 55,259 |
| Operating income (loss) | (194,590) | 5,169 | (189,421) | 13,119 |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2012

| | Enterprise Funds | | | Governmental Activities |
|------------------------------|---------------------|--------------------------------|-------------------|-----------------------------|
| | School Nutrition | Nonmajor Enterprise Fund | Total | Internal Service Fund |
| Non-operating revenues: | | | | |
| State sources | \$ 4,257 | \$ - | \$ 4,257 | \$ - |
| Federal sources | 181,553 | - | 181,553 | - |
| Interest income | 140 | - | 140 | 58 |
| Capital contributions | 62,359 | - | 62,359 | - |
| Total non-operating revenues | <u>248,309</u> | <u>-</u> | <u>248,309</u> | <u>58</u> |
| Change in net assets | 53,719 | 5,169 | 58,888 | 13,177 |
| Net assets beginning of year | <u>184,200</u> | <u>69,033</u> | <u>253,233</u> | <u>517</u> |
| Net assets end of year | <u>\$ 237,919</u> | <u>\$ 74,202</u> | <u>\$ 312,121</u> | <u>\$ 13,694</u> |

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

| | Enterprise Funds | | | Governmental Activities |
|--|---------------------|--------------------------------|------------|-----------------------------|
| | School Nutrition | Nonmajor Enterprise Fund | Total | Internal Service Fund |
| Cash flows from operating activities: | | | | |
| Cash received from sale of lunches and breakfasts | \$ 226,057 | \$ - | \$ 226,057 | \$ - |
| Cash received from miscellaneous operating activities | 3,823 | 64,295 | 68,118 | 68,378 |
| Cash payments to employees for services | (166,881) | (56,382) | (223,263) | - |
| Cash payments to suppliers for goods or services | (211,807) | (1,987) | (213,794) | (55,259) |
| Net cash provided by (used by) operating activities | (148,808) | 5,926 | (142,882) | 13,119 |
| Cash flows from non-capital financing activities: | | | | |
| State grants received | 4,257 | - | 4,257 | - |
| Federal grants received | 154,904 | - | 154,904 | - |
| Net cash provided by non-capital financing activities | 159,161 | - | 159,161 | - |
| Cash flows from capital and related financing activities: | | | | |
| Acquisition of capital assets | (80,779) | - | (80,779) | - |
| Cash flows from investing activities: | | | | |
| Interest on investments | 140 | - | 140 | 58 |
| Net increase (decrease) in cash and cash equivalents | (70,286) | 5,926 | (64,360) | 13,177 |
| Cash and cash equivalents beginning of year | 133,175 | 76,029 | 209,204 | 517 |
| Cash and cash equivalents end of year | \$ 62,889 | \$ 81,955 | \$ 144,844 | \$ 13,694 |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

| | Enterprise Funds | | | Governmental Activities |
|--|---------------------|--------------------------------|---------------------|-----------------------------|
| | School Nutrition | Nonmajor Enterprise Fund | Total | Internal Service Fund |
| Reconciliation of operating income (loss) to net cash provided by (used by) operating activities: | | | | |
| Operating income (loss) | \$ (194,590) | \$ 5,169 | \$ (189,421) | \$ 13,119 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities: | | | | |
| Commodities used | 26,649 | - | 26,649 | - |
| Depreciation | 19,102 | - | 19,102 | - |
| (Increase) in inventories | (379) | - | (379) | - |
| Increase (decrease) in salaries and benefits payable | (322) | 757 | 435 | - |
| Increase in deferred revenue | 732 | - | 732 | - |
| Net cash provided by (used by) operating activities | \$ <u>(148,808)</u> | \$ <u>5,926</u> | \$ <u>(142,882)</u> | \$ <u>13,119</u> |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$26,649 of federal commodities. In addition, the District's Proprietary Fund, School Nutrition received a non-cash contribution of equipment valued at \$62,359 purchased through the Capital Projects Fund.

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies

West Marshall Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of State Center, Melbourne, Rhodes, Clemons, St. Anthony and Lamoille, Iowa, and agricultural territory in Marshall County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, West Marshall Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. West Marshall Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Marshall County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

In addition, the District reports a Proprietary Fund, Internal Service to account for the District's partially self-funded insurance and flexible benefits programs.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Bond Issuance Costs/Premium – The issuance costs paid and premiums received on prior bond issues have been capitalized and are being amortized over the life of the associated bond issues.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class | Amount |
|-----------------------------------|----------|
| Land | \$ 1,000 |
| Buildings | 10,000 |
| Improvements other than buildings | 10,000 |
| Intangibles | 50,000 |
| Furniture and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other furniture and equipment | 10,000 |

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

| Asset Class | Estimated Useful Lives |
|-----------------------------------|------------------------|
| Buildings | 20-50 years |
| Improvements other than buildings | 20-50 years |
| Intangibles | 3-20 years |
| Furniture and equipment | 5-15 years |

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unearned meal revenues and the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unearned meal revenues.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 2. Cash and Pooled Investments (continued)

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust as follows:

| | <u>Amortized Cost</u> |
|-----------------------|---------------------------|
| Diversified Portfolio | \$ <u>977,036</u> |

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------|----------------------|-------------------|
| Debt Service | Capital Projects | \$ <u>542,699</u> |

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|----------------------|---------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 125,000 | \$ - | \$ - | \$ 125,000 |
| Construction in progress | 8,239,127 | 1,064,450 | 9,303,577 | - |
| Total capital assets not being depreciated | <u>8,364,127</u> | <u>1,064,450</u> | <u>9,303,577</u> | <u>125,000</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 7,385,466 | 9,356,594 | - | 16,742,060 |
| Improvements other than buildings | 655,891 | 8,840 | - | 664,731 |
| Furniture and equipment | 1,055,800 | 78,888 | 52,667 | 1,082,021 |
| Total capital assets being depreciated | <u>9,097,157</u> | <u>9,444,322</u> | <u>52,667</u> | <u>18,488,812</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 3,670,860 | 331,565 | - | 4,002,425 |
| Improvements other than buildings | 325,698 | 27,701 | - | 353,399 |
| Furniture and equipment | 919,539 | 62,666 | 52,667 | 929,538 |
| Total accumulated depreciation | <u>4,916,097</u> | <u>421,932</u> | <u>52,667</u> | <u>5,285,362</u> |
| Total capital assets being depreciated, net | <u>4,181,060</u> | <u>9,022,390</u> | <u>-</u> | <u>13,203,450</u> |
| Governmental activities capital assets, net | <u>\$ 12,545,187</u> | <u>\$ 10,086,840</u> | <u>\$ 9,303,577</u> | <u>\$ 13,328,450</u> |
| Business-type activities: | | | | |
| Furniture and equipment | \$ 142,464 | \$ 143,138 | \$ - | \$ 285,602 |
| Less accumulated depreciation | <u>99,337</u> | <u>19,102</u> | <u>-</u> | <u>118,439</u> |
| Business-type activities capital assets, net | <u>\$ 43,127</u> | <u>\$ 124,036</u> | <u>\$ -</u> | <u>\$ 167,163</u> |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 4. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Support services:

Operation and maintenance of plant services

\$ 3,994

Transportation

58,672

62,666

359,266

Unallocated depreciation

Total governmental activities depreciation expense

\$ 421,932

Business-type activities:

Food service operations

\$ 19,102

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

| | Balance Beginning of Year | Additions | Reductions | Balance End of Year | Due Within One Year |
|--------------------------|---------------------------------|------------------|-------------------|---------------------------|---------------------------|
| Governmental activities: | | | | | |
| Early retirement | \$ 196,800 | \$ 41,050 | \$ 60,350 | \$ 177,500 | \$ 44,650 |
| General obligation bonds | 4,610,000 | - | 350,000 | 4,260,000 | 365,000 |
| Revenue bonds | 5,900,000 | - | - | 5,900,000 | - |
| Net OPEB liability | 18,863 | 14,440 | - | 33,303 | - |
| Total | <u>\$ 10,725,663</u> | <u>\$ 55,490</u> | <u>\$ 410,350</u> | <u>\$ 10,370,803</u> | <u>\$ 409,650</u> |

Early Retirement

The District offered a voluntary early retirement plan to certified employees and administrators for the year ended June 30, 2012. All eligible employees must have completed at least ten years of consecutive half-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

The early retirement benefit for certified employees includes an incentive payment of \$10,000. The payment will be made in one lump sum to a deferred annuity account by the end of July following retirement. The District will also pay a maximum of \$450 per month for the cost of single health insurance until age 65.

The early retirement incentive for administrators consists of paid single health and family dental insurance at District cost until the employee reaches age 65 or otherwise becomes eligible for Medicare. The cost of health insurance paid by the District for administrators has no dollar cap.

At June 30, 2012, the District had obligations to 8 participants with a total liability of \$177,500. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$60,350. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Long-Term Liabilities (continued)

General Obligation Bonds Payable

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

| Year Ending June 30, | Interest Rates | Bond issue dated October, 2002 | | |
|-------------------------|-------------------|--------------------------------|------------------|-------------------|
| | | Principal | Interest | Total |
| 2013 | 3.50 % | \$ 265,000 | \$ 14,135 | \$ 279,135 |
| 2014 | 3.60 | 135,000 | 4,860 | 139,860 |
| | | <u>\$ 400,000</u> | <u>\$ 18,995</u> | <u>\$ 418,995</u> |

| Year Ending June 30, | Interest Rates | Bond issue dated June, 2010 | | |
|-------------------------|-------------------|-----------------------------|---------------------|---------------------|
| | | Principal | Interest | Total |
| 2013 | 2.00 % | \$ 100,000 | \$ 143,800 | \$ 243,800 |
| 2014 | 2.00 | 160,000 | 141,800 | 301,800 |
| 2015 | 2.50 | 170,000 | 138,600 | 308,600 |
| 2016 | 3.00 | 175,000 | 134,350 | 309,350 |
| 2017-2021 | 3.50-4.00 | 970,000 | 577,275 | 1,547,275 |
| 2022-2026 | 4.00 | 1,170,000 | 370,625 | 1,540,625 |
| 2027-2030 | 4.00-4.125 | 1,115,000 | 116,344 | 1,231,344 |
| | | <u>\$ 3,860,000</u> | <u>\$ 1,622,794</u> | <u>\$ 5,482,794</u> |
| Total | | <u>\$ 4,260,000</u> | <u>\$ 1,641,789</u> | <u>\$ 5,901,789</u> |

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2012 local option sales and services tax revenue bonded indebtedness are as follows:

| Year Ending June 30, | Interest Rates | Bond issue dated January, 2010 | | |
|-------------------------|-------------------|--------------------------------|---------------------|---------------------|
| | | Principal | Interest | Total |
| 2013 | 3.50 % | \$ - | \$ 247,705 | \$ 247,705 |
| 2014 | 3.50 | 75,000 | 246,393 | 321,393 |
| 2015 | 3.50 | 250,000 | 240,705 | 490,705 |
| 2016 | 3.50 | 260,000 | 231,780 | 491,780 |
| 2017 | 3.50 | 270,000 | 222,505 | 492,505 |
| 2018-2022 | 3.50-3.75 | 1,510,000 | 953,558 | 2,463,558 |
| 2023-2027 | 4.00-4.40 | 1,865,000 | 606,437 | 2,471,437 |
| 2028-2030 | 4.50-4.75 | 1,670,000 | 143,150 | 1,813,150 |
| | | <u>\$ 5,900,000</u> | <u>\$ 2,892,233</u> | <u>\$ 8,792,233</u> |

The District has pledged future statewide sales, services and use tax revenues to repay the \$5,900,000 bonds issued in January 2010. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 40 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$8,792,233. For the current year, no principal was paid on the bonds, interest paid on the bonds totaled \$247,705, and total statewide sales, services and use tax revenues were \$647,989.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- Bonds maturing after January 1, 2019, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
- \$508,900 of the proceeds from the bonds issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account may be used for any lawful purpose. The sinking fund is part of the Debt Service Fund.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 62 active members in the plan.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

| | |
|--|-------------------------|
| Annual required contribution | \$ 76,469 |
| Interest on net OPEB obligation | 472 |
| Adjustment to annual required contribution | <u>4,639</u> |
| Annual OPEB cost | <u>72,302</u> |
| Contributions made | <u>57,862</u> |
| Increase in net OPEB obligation | <u>14,440</u> |
| Net OPEB obligation beginning of year | <u>18,863</u> |
| Net OPEB obligation end of year | <u><u>\$ 33,303</u></u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$57,862 to the medical plan.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Other Postemployment Benefits (OPEB) (continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

| <u>Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|-------------------|-------------------------|---|----------------------------|
| June 30, 2012 | \$ 72,302 | 80.0% | \$ 33,303 |

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$710,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$710,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,030,000, and the ratio of the UAAL to covered payroll was 23.4%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Valuation Report as of June 30, 2007.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered payroll for the year ended June 30, 2012. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$385,990, \$329,802, and \$307,791, respectively, equal to the required contributions for each year.

Note 8. Risk Management

The District partially self-funds health insurance benefits for District employees. The District purchased a health plan with deductibles of \$2,000 for individuals and \$4,000 for families while employees see actual deductibles of \$250 and \$500 for single and family policies, respectively. The maximum liability to the district under this arrangement is \$230,750 for the year ended June 30, 2012, and actual payments made totaled \$73,425. The District has not reported any liabilities for incurred but not reported claims required under Financial Accounting and Standards Board Statement Number 5 due to the small size of the plan. Section 509A.15 of the Code of Iowa exempts such small plans from actuarial studies and such claims would be difficult to estimate otherwise.

In addition, West Marshall Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$350,121 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2012 is comprised of the following programs:

| <u>Program</u> | <u>Amount</u> |
|--|------------------|
| Gifted and talented programs | 35,764 |
| Returning dropout and dropout prevention | \$ 19,791 |
| Professional development for model core curriculum | 11,088 |
| At-risk programs | 3,210 |
| Non-public textbooks | 532 |
| Professional development | <u>100</u> |
| Total | <u>\$ 70,485</u> |

Note 11. Construction Commitments

The District has entered into various contracts totaling \$319,688 for a window replacement project and weight room addition. As of June 30, 2012, work on these projects had not yet been started.

Required Supplementary Information

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2012

| | Governmental Funds - Actual | Proprietary Fund - Actual | Total Actual | Budgeted Amounts Original and Final | Final to Actual Variance |
|--|-----------------------------------|---------------------------------|-----------------|--|--------------------------------|
| REVENUES: | | | | | |
| Local sources | \$ 4,612,760 | \$ 355,942 | \$ 4,968,702 | \$ 4,669,858 | \$ 298,844 |
| Intermediate sources | - | - | - | 8,000 | (8,000) |
| State sources | 4,517,655 | 4,257 | 4,521,912 | 4,634,709 | (112,797) |
| Federal sources | 307,408 | 181,553 | 488,961 | 418,000 | 70,961 |
| Total revenues | 9,437,823 | 541,752 | 9,979,575 | 9,730,567 | 249,008 |
| EXPENDITURES/EXPENSES: | | | | | |
| Instruction | 5,119,015 | 59,126 | 5,178,141 | 5,830,000 | 651,859 |
| Support services | 3,094,709 | 11,127 | 3,105,836 | 3,815,000 | 709,164 |
| Non-instructional programs | - | 412,611 | 412,611 | 480,000 | 67,389 |
| Other expenditures | 2,438,777 | - | 2,438,777 | 2,478,829 | 40,052 |
| Total expenditures/expenses | 10,652,501 | 482,864 | 11,135,365 | 12,603,829 | 1,468,464 |
| Excess (deficiency) of revenues over (under) expenditures/ expenses | (1,214,678) | 58,888 | (1,155,790) | (2,873,262) | 1,717,472 |
| Other financing sources, net | 16,313 | - | 16,313 | - | 16,313 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses | (1,198,365) | 58,888 | (1,139,477) | (2,873,262) | 1,733,785 |
| Balance beginning of year | 5,609,069 | 253,233 | 5,862,302 | 4,092,929 | 1,769,373 |
| Balance end of year | \$ 4,410,704 | \$ 312,121 | \$ 4,722,825 | \$ 1,219,667 | \$ 3,503,158 |

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2012

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------------|--------------------------------|--|---|--------------------------------------|----------------------------|-----------------------------|---|
| 2010 | July 1, 2009 | \$ - | \$ 710 | \$ 710 | 0.0% | \$ 2,800 | 25.4% |
| 2011 | July 1, 2009 | - | 710 | 710 | 0.0% | 3,040 | 23.4% |
| 2012 | July 1, 2009 | - | 710 | 710 | 0.0% | 3,030 | 23.4% |

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

| | Special Revenue | | | |
|--|-------------------|-------------------|-------------------|---------------------|
| | Management | Student | Debt | |
| | Levy | Activity | Service | Total |
| Assets | | | | |
| Cash and pooled investments | \$ 194,047 | \$ 137,778 | \$ 393,764 | \$ 725,589 |
| Receivables: | | | | |
| Property tax: | | | | |
| Current year | 1,739 | - | 2,999 | 4,738 |
| Succeeding year | 170,000 | - | 194,300 | 364,300 |
| Accrued interest | - | 99 | - | 99 |
| Total assets | \$ 365,786 | \$ 137,877 | \$ 591,063 | \$ 1,094,726 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 223 | \$ 640 | \$ - | \$ 863 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 170,000 | - | 194,300 | 364,300 |
| Total liabilities | 170,223 | 640 | 194,300 | 365,163 |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Debt service | - | - | 396,763 | 396,763 |
| Management levy purposes | 195,563 | - | - | 195,563 |
| Student activities | - | 137,237 | - | 137,237 |
| Total fund balances | 195,563 | 137,237 | 396,763 | 729,563 |
| Total liabilities and fund balances | \$ 365,786 | \$ 137,877 | \$ 591,063 | \$ 1,094,726 |

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2012

| | Special Revenue | | | |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Management | Student | Debt | |
| | Levy | Activity | Service | Total |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 125,287 | \$ - | \$ 226,393 | \$ 351,680 |
| Other | 710 | 142,056 | 1,817 | 144,583 |
| Total revenues | <u>125,997</u> | <u>142,056</u> | <u>228,210</u> | <u>496,263</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | 70,278 | 139,279 | - | 209,557 |
| Support services: | | | | |
| Operation and maintenance of | | | | |
| plant services | 59,946 | - | - | 59,946 |
| Transportation services | 10,684 | - | - | 10,684 |
| Other expenditures: | | | | |
| Long term debt: | | | | |
| Principal | - | - | 350,000 | 350,000 |
| Interest and fiscal charges | - | - | 418,961 | 418,961 |
| Total expenditures | <u>140,908</u> | <u>139,279</u> | <u>768,961</u> | <u>1,049,148</u> |
| Excess (deficiency) of revenues over | | | | |
| (under) expenditures | (14,911) | 2,777 | (540,751) | (552,885) |
| Other financing sources (uses): | | | | |
| Interfund transfers in | - | - | 542,699 | 542,699 |
| Net change in fund balances | (14,911) | 2,777 | 1,948 | (10,186) |
| Fund balances beginning of year | <u>210,474</u> | <u>134,460</u> | <u>394,815</u> | <u>739,749</u> |
| Fund balances end of year | <u>\$ 195,563</u> | <u>\$ 137,237</u> | <u>\$ 396,763</u> | <u>\$ 729,563</u> |

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2012

| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | Other Construction Projects | Total |
|--|---|--|-----------------------------------|---------------------|
| Assets | | | | |
| Cash and pooled investments | \$ 986,708 | \$ 55,003 | \$ 148 | \$ 1,041,859 |
| Receivables: | | | | |
| Property tax: | | | | |
| Current year | - | 1,001 | - | 1,001 |
| Succeeding year | - | 78,277 | - | 78,277 |
| Due from other governments | 97,784 | - | - | 97,784 |
| Total assets | \$ 1,084,492 | \$ 134,281 | \$ 148 | \$ 1,218,921 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Deferred revenue: | | | | |
| Succeeding year property tax | - | 78,277 | - | 78,277 |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Debt service | 508,900 | - | - | 508,900 |
| School infrastructure | 575,592 | - | - | 575,592 |
| Physical plant and equipment | - | 56,004 | - | 56,004 |
| Capital projects | - | - | 148 | 148 |
| Total fund balances | 1,084,492 | 56,004 | 148 | 1,140,644 |
| Total liabilities and fund balances | \$ 1,084,492 | \$ 134,281 | \$ 148 | \$ 1,218,921 |

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2012

| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | Other Construction Projects | Total |
|--|---|--|-----------------------------------|---------------------|
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 647,989 | \$ 75,569 | \$ - | \$ 723,558 |
| Other | 10,478 | 143 | 3,794 | 14,415 |
| Federal sources | - | 24,016 | - | 24,016 |
| Total revenues | <u>658,467</u> | <u>99,728</u> | <u>3,794</u> | <u>761,989</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Support services: | | | | |
| Administration services | - | - | 16 | 16 |
| Transportation services | - | 50,000 | - | 50,000 |
| Other expenditures: | | | | |
| Facilities acquisition | 1,074,330 | 69,998 | 175,367 | 1,319,695 |
| Total expenditures | <u>1,074,330</u> | <u>119,998</u> | <u>175,383</u> | <u>1,369,711</u> |
| Excess (deficiency) of revenues over (under) expenditures | (415,863) | (20,270) | (171,589) | (607,722) |
| Other financing sources (uses): | | | | |
| Compensation for loss of capital assets | - | - | 16,313 | 16,313 |
| Interfund transfers out | (457,091) | - | (85,608) | (542,699) |
| Total other financing sources (uses) | <u>(457,091)</u> | <u>-</u> | <u>(69,295)</u> | <u>(526,386)</u> |
| Net change in fund balances | (872,954) | (20,270) | (240,884) | (1,134,108) |
| Fund balances beginning of year | <u>1,957,446</u> | <u>76,274</u> | <u>241,032</u> | <u>2,274,752</u> |
| Fund balances end of year | <u>\$ 1,084,492</u> | <u>\$ 56,004</u> | <u>\$ 148</u> | <u>\$ 1,140,644</u> |

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2012

| Account | Balance Beginning of Year | Revenues | Expenditures | Balance End of Year |
|------------------------|---------------------------------|------------|--------------|---------------------------|
| 6th Grade Store | \$ 71 | \$ - | \$ - | \$ 71 |
| Drama | 3,240 | 2,865 | 2,634 | 3,471 |
| Speech | 243 | 100 | 135 | 208 |
| Color Guard | 61 | - | 61 | - |
| Cross Country | 744 | 1,910 | 1,248 | 1,406 |
| Elementary Renaissance | 1,141 | - | 246 | 895 |
| Spanish Club | 244 | 870 | 870 | 244 |
| Athletic Memberships | 717 | 590 | 1,307 | - |
| Golf | 2,680 | 1,995 | 633 | 4,042 |
| Basketball | 1,494 | 15,035 | 11,825 | 4,704 |
| Volleyball | 1,147 | 3,251 | 2,608 | 1,790 |
| Football | 27,032 | 37,140 | 43,989 | 20,183 |
| Baseball | 1,579 | 9,325 | 9,349 | 1,555 |
| Track | 337 | 3,974 | 4,310 | 1 |
| Wrestling | 1,830 | 3,785 | 3,734 | 1,881 |
| Softball | 2,052 | 8,937 | 7,535 | 3,454 |
| FFA | 67,539 | 22,610 | 19,344 | 70,805 |
| National Honor Society | 597 | 319 | 341 | 575 |
| HS Cheerleaders | 3,310 | 2,513 | 3,627 | 2,196 |
| Dance Team | 1,053 | - | - | 1,053 |
| Class of 2012 | 783 | 107 | 890 | - |
| Class of 2013 | 40 | 3,573 | 2,642 | 971 |
| Class of 2014 | 30 | 145 | - | 175 |
| MS Student Council | 1,221 | 7,219 | 5,635 | 2,805 |
| HS Student Council | 1,620 | 3,391 | 3,825 | 1,186 |
| Interest | 259 | - | 119 | 140 |
| Annual | 10,628 | 8,110 | 7,974 | 10,764 |
| FBLA | 582 | - | - | 582 |
| Ag Day | 571 | - | 493 | 78 |
| MS Renaissance | 800 | 1,571 | 727 | 1,644 |
| HS Renaissance | 452 | 803 | 1,083 | 172 |
| FCCLA | 363 | 1,068 | 1,245 | 186 |
| Cash on Hand | - | 850 | 850 | - |
| Total | \$ 134,460 | \$ 142,056 | \$ 139,279 | \$ 137,237 |

See accompanying independent auditor's report.

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WEST MARSHALL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST NINE YEARS

| | Modified Accrual Basis Years Ended June 30, | | | |
|---|--|----------------------|----------------------|---------------------|
| | 2012 | 2011 | 2010 | 2009 |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 3,645,138 | \$ 3,376,272 | \$ 3,025,310 | \$ 2,984,118 |
| Tuition | 596,096 | 557,912 | 456,314 | 528,621 |
| Other | 371,526 | 553,278 | 395,569 | 330,592 |
| Intermediate sources | - | 5,475 | 6,780 | 5,700 |
| State sources | 4,517,655 | 4,551,255 | 3,914,188 | 4,654,608 |
| Federal sources | 307,408 | 376,599 | 739,200 | 164,927 |
| Total revenues | <u>\$ 9,437,823</u> | <u>\$ 9,420,791</u> | <u>\$ 8,537,361</u> | <u>\$ 8,668,566</u> |
| Expenditures: | | | | |
| Instruction | \$ 5,119,015 | \$ 5,141,683 | \$ 5,100,680 | \$ 5,182,907 |
| Support services: | | | | |
| Student services | 274,058 | 315,492 | 348,493 | 295,192 |
| Instructional staff services | 459,795 | 290,322 | 215,543 | 109,868 |
| Administration services | 886,561 | 779,883 | 773,205 | 760,549 |
| Operation and maintenance of plant services | 912,717 | 816,477 | 832,409 | 798,197 |
| Transportation services | 561,578 | 492,356 | 396,565 | 360,307 |
| Non-instructional programs | - | - | - | - |
| Other expenditures: | | | | |
| Facilities acquisition | 1,319,695 | 7,132,946 | 1,796,163 | 253,519 |
| Long-term debt: | | | | |
| Principal | 350,000 | 320,000 | 250,000 | 245,000 |
| Interest and fiscal charges | 418,961 | 428,600 | 40,295 | 47,645 |
| AEA flowthrough | 350,121 | 383,743 | 372,205 | 325,177 |
| Total expenditures | <u>\$ 10,652,501</u> | <u>\$ 16,101,502</u> | <u>\$ 10,125,558</u> | <u>\$ 8,378,361</u> |

See accompanying independent auditor's report.

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|----|------------------|------------------|------------------|------------------|------------------|
| \$ | 2,798,167 | \$ 2,849,760 | \$ 2,707,089 | \$ 2,622,810 | \$ 2,445,741 |
| | 451,647 | 339,047 | 332,004 | 230,457 | 183,515 |
| | 408,071 | 375,346 | 319,217 | 397,914 | 274,350 |
| | 18,565 | - | - | - | - |
| | 4,267,844 | 4,017,081 | 3,755,551 | 3,502,195 | 3,351,565 |
| | 150,082 | 131,078 | 143,735 | 78,220 | 108,264 |
| \$ | <u>8,094,376</u> | <u>7,712,312</u> | <u>7,257,596</u> | <u>6,831,596</u> | <u>6,363,435</u> |
| \$ | 4,546,804 | \$ 4,154,733 | \$ 3,813,183 | \$ 3,816,595 | \$ 3,620,129 |
| | 289,659 | 298,672 | 279,759 | 166,862 | 248,375 |
| | 186,558 | 111,777 | 110,117 | 179,497 | 132,999 |
| | 725,556 | 666,566 | 580,055 | 550,338 | 566,388 |
| | 817,383 | 615,841 | 703,672 | 853,764 | 674,474 |
| | 408,757 | 520,035 | 414,913 | 443,775 | 402,116 |
| | - | - | - | - | 1,827 |
| | 96,529 | 305,221 | 36,957 | 69,659 | 73,648 |
| | 230,000 | 225,000 | 220,000 | 215,000 | 160,000 |
| | 54,545 | 60,732 | 65,833 | 71,324 | 132,680 |
| | 298,826 | 277,407 | 254,985 | 242,842 | 244,573 |
| \$ | <u>7,654,617</u> | <u>7,235,984</u> | <u>6,479,474</u> | <u>6,609,656</u> | <u>6,257,209</u> |

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
West Marshall Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Marshall Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 15, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of West Marshall Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered West Marshall Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Marshall Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Marshall Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items II-B-12 and II-C-12 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Marshall Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about West Marshall Community School District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

West Marshall Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit West Marshall Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Marshall Community School District and other parties to whom West Marshall Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Marshall Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
October 15, 2012

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-12 Financial Reporting – During the audit, we identified material amounts of capital assets additions not recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all capital assets additions are identified and included in the District’s financial statements.

Response – We will double check these in the future to avoid missing any capital asset transactions.

Conclusion – Response accepted.

I-B-12 Financial Accounting – We noted in the course of our audit that the District’s Proprietary Fund, School Nutrition is accounted for using stand-alone spreadsheets, then summarized and incorporated into the District’s financial accounting system at year end to facilitate the required Department of Education chart of accounts upload.

Recommendation – The District should incorporate this fund into the financial accounting software system to avoid possible errors in financial statement presentation and to have all financial records centralized in one software system to prevent any possible loss of account history due to any catastrophic computer failure. The employee who currently enters the information into spreadsheet software would enter the same information into the District’s accounting software and avoid additional steps at year end.

Response – We have corrected this for the fiscal year ending June 30, 2013.

Conclusion – Response accepted.

I-C-12 Unauthorized Check Signer – We noted in our testing of the District’s bank records that one account has an unauthorized check signer.

Recommendation – The District should remove this person as an authorized signer as soon as possible to protect the underlying asset and maintain good controls over the bank accounts.

Response – We will remove this person as an authorized check signer and will make more timely changes as required in the future.

Conclusion – Response accepted.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting:

- II-A-12 Certified Budget – Expenditures for the year ended June 30, 2012, did not exceed the amounts budgeted.
- II-B-12 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-12 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-12 Business Transactions – No business transactions between the District and District officials or employees were noted.
- II-E-12 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-12 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-12 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-12 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-12 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-12 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-12 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-L-12 Statewide Sales and Services Tax (continued)

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

| | | |
|------------------------------------|----------------|---------------------|
| Beginning balance | | \$ 1,957,446 |
| Revenues: | | |
| Sales tax revenues | \$ 647,989 | |
| Interest | <u>10,478</u> | 658,467 |
| Expenditures/transfers out: | | |
| School infrastructure construction | 1,050,149 | |
| Land improvements | 15,298 | |
| Other | 8,883 | |
| Transfers to other funds: | | |
| Debt Service Fund | <u>457,091</u> | <u>1,531,421</u> |
| Ending balance | | <u>\$ 1,084,492</u> |

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.